



CITY OF NEWBURYPORT, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

CITY OF NEWBURYPORT, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newburyport, Massachusetts (the City), as of and for the year ended June 30, 2019 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2018), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newburyport, Massachusetts, as of June 30, 2019 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Melanson Heath

February 14, 2020

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, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds may be used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services to be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses three enterprise funds to account for sewer, water, and harbormaster operations.

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,609,262 (i.e., net position), a change of \$(60,622) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$26,215,652, a change of \$(431,553) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,880,640, a change of \$211,846 in comparison to the prior year. See Note D for further information on the change in general fund operations.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 31,814,397	\$ 32,867,238	\$ 16,161,169	\$ 20,113,631	\$ 47,975,566	\$ 52,980,869
Capital assets	143,426,559	138,577,463	95,439,596	96,928,825	238,866,155	235,506,288
Total assets	175,240,956	171,444,701	111,600,765	117,042,456	286,841,721	288,487,157
Deferred outflows of resources	12,227,625	4,024,665	1,139,793	623,335	13,367,418	4,648,000
Long-term liabilities	167,380,119	159,762,820	63,205,391	65,318,489	230,585,510	225,081,309
Other liabilities	4,537,845	5,444,690	912,008	2,938,533	5,449,853	8,383,223
Total liabilities	171,917,964	165,207,510	64,117,399	68,257,022	236,035,363	233,464,532
Deferred inflows of resources	8,143,878	3,464,569	420,636	536,172	8,564,514	4,000,741
Net investment in capital assets	93,122,939	88,135,465	41,875,558	42,593,168	134,998,497	130,728,633
Restricted	14,598,199	13,932,383	1,780,179	1,843,923	16,378,378	15,776,306
Unrestricted	(100,314,399)	(95,270,561)	4,546,786	4,435,506	(95,767,613)	(90,835,055)
Total net position	\$ 7,406,739	\$ 6,797,287	\$ 48,202,523	\$ 48,872,597	\$ 55,609,262	\$ 55,669,884

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$55,609,262, a change of \$(60,622) in comparison to the prior year.

The largest portion of net position \$134,998,497 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$16,378,378 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 \$(95,767,613) primarily resulting from unfunded pension and OPEB liabilities.

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

	<u>CHANGES IN NET POSITION</u>					
	Governmental		Business-Type		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,225,218	\$ 6,850,984	\$ 12,773,876	\$ 11,940,901	\$ 19,999,094	\$ 18,791,885
Operating grants and contributions	14,674,788	14,752,190	242,954	679,904	14,917,742	15,432,094
Capital grants and contributions	6,988,625	1,456,056	198,997	750,634	7,187,622	2,206,690
General revenues:						
Property taxes	57,532,623	55,396,526	-	-	57,532,623	55,396,526
Excises	3,741,256	3,208,099	-	-	3,741,256	3,208,099
Penalties, interest and other taxes	427,963	442,024	-	-	427,963	442,024
Grants and contributions not restricted to specific programs	2,762,578	2,673,403	-	-	2,762,578	2,673,403
Investment income	552,736	259,365	76,102	95,584	628,838	354,949
Other	427,992	410,584	-	-	427,992	410,584
Total revenues	94,333,779	85,449,231	13,291,929	13,467,023	107,625,708	98,916,254

(continued)

(continued)

	Governmental		Business-Type		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
General government	5,949,138	6,453,090	-	-	5,949,138	6,453,090
Public safety	14,907,150	12,312,504	-	-	14,907,150	12,312,504
Education	54,080,403	52,269,383	-	-	54,080,403	52,269,383
Public works	6,011,139	5,710,006	-	-	6,011,139	5,710,006
Health and human services	3,931,432	3,270,201	-	-	3,931,432	3,270,201
Culture and recreation	4,261,752	3,371,106	-	-	4,261,752	3,371,106
Interest on long-term debt	1,583,261	1,483,533	-	-	1,583,261	1,483,533
Intergovernmental	2,925,052	2,792,292	-	-	2,925,052	2,792,292
Sewer services	-	-	8,034,413	7,578,025	8,034,413	7,578,025
Water services	-	-	5,517,523	5,820,037	5,517,523	5,820,037
Harbormaster services	-	-	485,067	461,080	485,067	461,080
Total expenses	<u>93,649,327</u>	<u>87,662,115</u>	<u>14,037,003</u>	<u>13,859,142</u>	<u>107,686,330</u>	<u>101,521,257</u>
Change in net position before transfers	684,452	(2,212,884)	(745,074)	(392,119)	(60,622)	(2,605,003)
Transfers in (out)	<u>(75,000)</u>	<u>(1,459)</u>	<u>75,000</u>	<u>1,459</u>	<u>-</u>	<u>-</u>
Change in net position	609,452	(2,214,343)	(670,074)	(390,660)	(60,622)	(2,605,003)
Net position - beginning of year	<u>6,797,287</u>	<u>9,011,630</u>	<u>48,872,597</u>	<u>49,263,257</u>	<u>55,669,884</u>	<u>58,274,887</u>
Net position - end of year	<u>\$ 7,406,739</u>	<u>\$ 6,797,287</u>	<u>\$ 48,202,523</u>	<u>\$ 48,872,597</u>	<u>\$ 55,609,262</u>	<u>\$ 55,669,884</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$609,452. Key elements of this change are as follows:

Results of general fund operations	\$ 1,477,688
Capital asset additions from current year revenues	2,542,096
Parking facility grant revenues	5,830,406
Depreciation expense in excess of principal debt service	(3,497,444)
Increase in net pension liability and related deferrals	(1,634,170)
Increase in net OPEB liability and related deferrals	(3,977,574)
Other	<u>(131,550)</u>
Total	<u>\$ 609,452</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(670,074). Key elements of this change are as follows:

	Revenues and Transfers In	Expenses and Transfers Out	Change in Net Position
Sewer Fund	\$ 7,438,654	\$ 8,076,129	\$ (637,475)
Water Fund	5,497,333	5,530,023	(32,690)
Nonmajor Funds	<u>485,158</u>	<u>485,067</u>	<u>91</u>
Net	<u>\$ 13,421,145</u>	<u>\$ 14,091,219</u>	<u>\$ (670,074)</u>

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

D. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26,215,652, a change of \$(431,553) in comparison to the prior year. Key elements of this change are as follows:

Results of general fund operations	\$ 1,477,688
Parking facility project expenditures in excess of revenues	(2,532,006)
Community preservation fund revenues in excess of expenditures	483,555
Circuit breaker fund revenues in excess of expenditures	145,474
Other	<u>(6,264)</u>
Total	<u>\$ (431,553)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,880,640, while total fund balance was \$8,105,341. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 6,880,640	\$ 6,668,794	\$ 211,846	9.4%
Total fund balance	\$ 8,105,341	\$ 8,030,856	\$ 74,485	11.1%

The total fund balance of the general fund changed by \$74,485 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,426,048)
Revenues in excess of budget	659,964
Expenditures less than budget	655,143
Current year encumbrances less than expenditures of prior year encumbrances	(56,401)
Change in stabilization activity	217,933
Other	<u>23,894</u>
Total	<u>\$ 74,485</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 3,157,996	\$ 2,938,430	\$ 219,566
Other stabilization	<u>737,578</u>	<u>739,211</u>	<u>(1,633)</u>
Total	<u>\$ 3,895,574</u>	<u>\$ 3,677,641</u>	<u>\$ 217,933</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,546,786, a change of \$111,280 in comparison to the prior year. This change is primarily driven by increasing water and sewer rates in fiscal year 2019.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,565,980. The reasons for these amendments include:

Capital project funding	\$ 849,954
Snow and ice appropriations	143,094
Compensated absences funding	100,000
Stabilization funding	150,000
OPEB Trust funding	60,000
Other departmental appropriations	<u>262,932</u>
Total	<u>\$ 1,565,980</u>

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$238,866,155 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment.

The major capital asset events during the current fiscal year included parking facility construction, Plum Island hydrant replacements, Graf Road pump station replacement, other sewer and water infrastructure improvements, various roadway improvements, drainage projects, DPW equipment, and rail trail improvements.

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$104,828,205, all of which was backed by the full faith and credit of the government.

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

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

The City of Newburyport's taxable value grew by 6.1% during fiscal year 2019; slightly outpacing the average annual growth of 5.8% over the past five years. The average single-family home value increased 3.8%, while commercial and industrial properties increased 8.4%, on average. The increase to commercial and industrial values was driven by a number of factors, including higher rental incomes and market sales, as well as, new development and renovations. At the same time, residential growth in the City remains consistent with a number of new developments that were underway at the close of fiscal year 2019, along with continued investments in existing properties in the form of renovations, additions, and condo conversions. Based on building permit data and projects already underway, the City expects this growth to continue into fiscal year 2020.

The City set its fiscal year 2020 tax rate at \$12.84 per thousand based on a tax levy of \$59,556,464; marking an \$0.24 per thousand decrease from fiscal year 2019 as a result of higher property assessments. In addition to property taxes, the City adjusts its user rates and fees on an annual basis in order to cover the costs of services. Specifically, the City increased user rates for its two main utilities, water and wastewater, by 1.3% and 5.2% respectively for fiscal year 2020.

The City continues to maintain strong reserve balances, including Free Cash and the Stabilization Trust Fund account. It is the City's financial policy to maintain a minimum balance of five percent of General Fund expenditures in the Stabilization Trust Fund and a minimum balance of one percent of the tax levy in Free Cash. The City continues to tackle its long-term liabilities with an annual appropriation for other post-employment benefits carved out each year in the City's financial plan.

Strong departmental oversight and budget management continues to be an area of focus for the City. As has been the practice in recent years, the City continues to be conservative in its revenue estimates. Additionally, the City continues to work with its departments to enhance existing revenue sources and identify new revenue sources, as well as, identify areas of cost savings and more effective procurement/service-delivery methods. For the eighth consecutive year, the City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association for its fiscal 2020 budget, reflective of the City's strong budgeting and financial management practices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Newburyport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 25,767,575	\$ 6,371,996	\$ 32,139,571
Investments	3,068,951	2,456,837	5,525,788
Receivables, net of allowance for uncollectibles:			
Property taxes	1,141,634	-	1,141,634
Excise taxes	380,308	-	380,308
User fees	-	2,739,810	2,739,810
Betterments	-	425,343	425,343
Intergovernmental	500,160	-	500,160
Departmental	35,919	-	35,919
Loans	20,000	-	20,000
Other	-	36,104	36,104
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	579,850	-	579,850
Loans	320,000	-	320,000
Betterments	-	4,131,079	4,131,079
Capital assets, being depreciated, net	130,684,333	87,510,454	218,194,787
Capital assets, not being depreciated	12,742,226	7,929,142	20,671,368
Deferred Outflows of Resources			
Related to pensions	5,546,613	853,277	6,399,890
Related to OPEB	6,681,012	286,516	6,967,528
Total Assets and Deferred Outflows of Resources	187,468,581	112,740,558	300,209,139
Liabilities			
Current:			
Warrants payable	760,292	145,293	905,585
Accrued liabilities	3,448,582	764,537	4,213,119
Other liabilities	328,971	2,178	331,149
Current portion of long-term liabilities:			
Bonds payable	2,507,811	3,804,683	6,312,494
Capital lease obligations	114,171	43,605	157,776
Compensated absences	917,304	37,771	955,075
Noncurrent:			
Bonds payable, net of current portion	48,413,882	50,101,829	98,515,711
Net pension liability	38,151,823	5,869,177	44,021,000
Net OPEB liability	73,486,058	3,151,467	76,637,525
Capital lease obligations, net of current portion	119,856	45,777	165,633
Compensated absences, net of current portion	3,669,214	151,082	3,820,296
Deferred Inflows of Resources			
Related to pensions	651,079	100,161	751,240
Related to OPEB	7,472,818	320,475	7,793,293
Other	19,981	-	19,981
Total Liabilities and Deferred Inflows of Resources	180,061,842	64,538,035	244,599,877
Net Position			
Net investment in capital assets	93,122,939	41,875,558	134,998,497
Restricted for:			
Capital projects	-	1,780,179	1,780,179
Grants and other statutory restrictions	11,988,229	-	11,988,229
Permanent funds			
Nonexpendable	1,679,757	-	1,679,757
Expendable	930,213	-	930,213
Unrestricted	(100,314,399)	4,546,786	(95,767,613)
Total Net Position	\$ 7,406,739	\$ 48,202,523	\$ 55,609,262

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

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 5,949,138	\$ 1,613,481	\$ 467,911	\$ 5,830,406	\$ 1,962,660	\$ -	\$ 1,962,660
Public safety	14,907,150	2,422,162	113,927	-	(12,371,061)	-	(12,371,061)
Education	54,080,403	2,113,596	13,272,367	-	(38,694,440)	-	(38,694,440)
Public works	6,011,139	313,606	216,396	1,133,441	(4,347,696)	-	(4,347,696)
Health and human services	3,931,432	117,972	404,702	-	(3,408,758)	-	(3,408,758)
Culture and recreation	4,261,752	644,401	199,485	24,778	(3,393,088)	-	(3,393,088)
Interest on long term debt	1,583,261	-	-	-	(1,583,261)	-	(1,583,261)
Intergovernmental	2,925,052	-	-	-	(2,925,052)	-	(2,925,052)
Total Governmental Activities	93,649,327	7,225,218	14,674,788	6,988,625	(64,760,696)	-	(64,760,696)
Business-Type Activities							
Sewer services	8,034,413	7,002,548	131,885	142,747	-	(757,233)	(757,233)
Water services	5,517,523	5,342,420	111,069	-	-	(64,034)	(64,034)
Nonmajor services	485,067	428,908	-	56,250	-	91	91
Total Business-Type Activities	14,037,003	12,773,876	242,954	198,997	-	(821,176)	(821,176)
Total	\$ 107,686,330	\$ 19,999,094	\$ 14,917,742	\$ 7,187,622	(64,760,696)	(821,176)	(65,581,872)
General Revenues and Transfers							
Property taxes					57,532,623	-	57,532,623
Excise taxes					3,741,256	-	3,741,256
Penalties, interest and other taxes					427,963	-	427,963
Grants and contributions not restricted to specific programs					2,762,578	-	2,762,578
Investment income					552,736	76,102	628,838
Other					427,992	-	427,992
Transfers, net					(75,000)	75,000	-
Total general revenues and transfers					65,370,148	151,102	65,521,250
Change in Net Position					609,452	(670,074)	(60,622)
Net Position							
Beginning of year					6,797,287	48,872,597	55,669,884
End of year					\$ 7,406,739	\$ 48,202,523	\$ 55,609,262

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<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	\$ 10,259,576	\$ 3,716,357	\$ 11,791,642	\$ 25,767,575
Investments	536,736	-	2,532,215	3,068,951
Receivables:				
Property taxes	2,019,141	-	20,225	2,039,366
Excise taxes	858,029	-	-	858,029
Intergovernmental	-	-	500,160	500,160
Departmental	2,975	-	32,944	35,919
Loans	20,000	-	-	20,000
Total Assets	\$ <u>13,696,457</u>	\$ <u>3,716,357</u>	\$ <u>14,877,186</u>	\$ <u>32,290,000</u>
Liabilities				
Warrants payable	\$ 330,231	\$ 195,643	\$ 234,418	\$ 760,292
Accrued liabilities	2,826,820	-	-	2,826,820
Other liabilities	328,971	-	-	328,971
Total Liabilities	3,486,022	195,643	234,418	3,916,083
Deferred Inflows of Resources				
Unavailable revenues	2,105,094	-	53,171	2,158,265
Fund Balances				
Nonspendable	-	-	1,679,757	1,679,757
Restricted	-	1,007,454	13,075,616	14,083,070
Committed	737,578	2,513,260	-	3,250,838
Assigned	487,123	-	-	487,123
Unassigned	6,880,640	-	(165,776)	6,714,864
Total Fund Balances	8,105,341	3,520,714	14,589,597	26,215,652
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>13,696,457</u>	\$ <u>3,716,357</u>	\$ <u>14,877,186</u>	\$ <u>32,290,000</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, 2019

Total governmental fund balances	\$ 26,215,652
<ul style="list-style-type: none"> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 	143,426,559
<ul style="list-style-type: none"> Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	1,342,681
<ul style="list-style-type: none"> Other long-term assets (i.e. loans) are not available to pay for current period expenditures and therefore, are not reported in the governmental funds. 	320,000
<ul style="list-style-type: none"> Deferred outflows of resources related to pensions and OPEB will be recognized as an increase to pension and OPEB expense in future years. 	12,227,625
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(621,762)
<ul style="list-style-type: none"> Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: 	
Bonds payable	(50,921,693)
Net pension liability	(38,151,823)
Net OPEB liability	(73,486,058)
Capital lease obligations	(234,027)
Compensated absences	(4,586,518)
<ul style="list-style-type: none"> Deferred inflows of resources related to pensions and OPEB will be recognized as a reduction to pension and OPEB expense in future years. 	(8,123,897)
Net position of governmental activities	\$ 7,406,739

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, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 56,522,140	\$ -	\$ 910,689	\$ 57,432,829
Excise taxes	3,631,536	-	-	3,631,536
Interest, penalties, & other taxes	425,628	-	2,335	427,963
Charges for services	414,026	-	5,530,380	5,944,406
Licenses and permits	1,190,151	-	-	1,190,151
Intergovernmental	11,064,955	5,830,406	3,551,704	20,447,065
Investment income	358,649	-	194,087	552,736
Fines and forfeitures	12,292	-	-	12,292
Contributions	681,181	8,415	373,529	1,063,125
Other	283,046	25,000	152,909	460,955
Total Revenues	<u>74,583,604</u>	<u>5,863,821</u>	<u>10,715,633</u>	<u>91,163,058</u>
Expenditures				
General government	3,005,375	8,660,213	1,134,309	12,799,897
Public safety	7,994,839	107,756	1,059,398	9,161,993
Education	34,141,777	1,058,089	4,310,458	39,510,324
Public works	3,110,343	690,662	549,721	4,350,726
Health & human services	2,762,395	-	317,017	3,079,412
Culture and recreation	1,625,937	201,608	863,977	2,691,522
Employee benefits	13,783,600	-	-	13,783,600
Debt service	3,756,598	-	753,839	4,510,437
Intergovernmental	2,925,052	-	-	2,925,052
Total Expenditures	<u>73,105,916</u>	<u>10,718,328</u>	<u>8,988,719</u>	<u>92,812,963</u>
Excess (deficiency) of revenues over expenditures	1,477,688	(4,854,507)	1,726,914	(1,649,905)
Other Financing Sources (Uses):				
Issuance of bonds	-	933,500	-	933,500
Issuance of capital lease obligations	-	359,852	-	359,852
Transfers in	139,932	2,090,538	44,456	2,274,926
Transfers out	(1,543,135)	(110,903)	(695,888)	(2,349,926)
Total Other Financing Sources (Uses)	<u>(1,403,203)</u>	<u>3,272,987</u>	<u>(651,432)</u>	<u>1,218,352</u>
Change in fund balances	74,485	(1,581,520)	1,075,482	(431,553)
Fund Balance at Beginning of Year	<u>8,030,856</u>	<u>5,102,234</u>	<u>13,514,115</u>	<u>26,647,205</u>
Fund Balance at End of Year	<u>\$ 8,105,341</u>	<u>\$ 3,520,714</u>	<u>\$ 14,589,597</u>	<u>\$ 26,215,652</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, 2019

Net Changes in Fund Balances - Total Governmental Funds	\$ (431,553)
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlays	11,058,240
Depreciation	(6,209,144)
<ul style="list-style-type: none"> 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. 	263,545
<ul style="list-style-type: none"> 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	(933,500)
Issuance of capital lease obligations	(359,852)
Repayments of debt	2,711,700
Repayments of capital lease obligations	125,825
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	32,264
<ul style="list-style-type: none"> 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	(218,405)
Current year amortization of bond premiums	183,211
Change in Net pension liability and related deferred outflows and inflows of resources	(1,635,306)
Change in Net OPEB liability and related deferred outflows and inflows of resources	(3,977,573)
Change in Net Position of Governmental Activities	\$ <u>609,452</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$ 56,804,435	\$ 56,804,435	\$ 56,522,140	\$ (282,295)
Excise taxes	3,450,000	3,450,000	3,631,536	181,536
Interest, penalties, and other taxes	360,000	360,000	425,628	65,628
Charges for services	410,000	410,000	414,026	4,026
Licenses and permits	900,000	900,000	1,190,151	290,151
Intergovernmental	7,465,669	7,465,669	7,551,848	86,179
Investment income	50,000	50,000	271,748	221,748
Fines and forfeitures	10,000	10,000	12,292	2,292
Other	175,000	175,000	265,699	90,699
Total Revenues	69,625,104	69,625,104	70,285,068	659,964
Expenditures				
General government	3,016,463	3,010,976	2,956,609	54,367
Public safety	7,968,957	8,125,160	7,995,264	129,896
Education	30,545,626	30,510,626	30,491,458	19,168
Public works	3,264,696	3,514,354	3,335,853	178,501
Health and human services	2,669,169	2,761,420	2,668,634	92,786
Culture and recreation	1,624,011	1,653,892	1,629,887	24,005
Employee benefits	13,854,359	13,760,879	13,604,632	156,247
Debt service	3,767,925	3,767,925	3,756,598	11,327
Intergovernmental	2,913,898	2,913,898	2,925,052	(11,154)
Total Expenditures	69,625,104	70,019,130	69,363,987	655,143
Excess (deficiency) revenues and transfers in over expenditures and transfers out	-	(394,026)	921,081	1,315,107
Other Financing Sources/Uses				
Transfers in	-	139,932	139,932	-
Transfers out	-	(1,171,954)	(1,171,954)	-
Use of free cash:				
For capital projects	-	849,954	-	(849,954)
For snow and ice expenses	-	143,094	-	(143,094)
For compensated absences	-	100,000	-	(100,000)
For stabilization funding	-	150,000	150,000	-
For OPEB funding	-	60,000	-	(60,000)
For departmental expenditures	-	123,000	-	(123,000)
Total Other Financing Sources/Uses	-	394,026	(882,022)	(1,276,048)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 39,059	\$ 39,059

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer <u>Fund</u>	Water <u>Fund</u>	Nonmajor <u>Funds</u>	<u>Total</u>
Assets				
Current:				
Cash and short-term investments	\$ 2,879,142	\$ 2,960,311	\$ 532,543	\$ 6,371,996
Investments	1,778,451	678,386	-	2,456,837
User fee receivables	1,574,432	1,165,378	-	2,739,810
Betterment receivables	265,276	160,067	-	425,343
Other assets	1,827	-	34,277	36,104
Noncurrent:				
Betterment receivables	3,070,145	1,060,934	-	4,131,079
Capital assets, being depreciated, net	46,433,970	39,314,874	1,761,610	87,510,454
Capital assets, not being depreciated	6,215,372	1,543,770	170,000	7,929,142
Deferred Outflows of Resources				
Related to pensions	447,974	380,075	25,228	853,277
Related to OPEB	134,183	152,333	-	286,516
Total Assets and Deferred Outflows of Resources	62,800,772	47,416,128	2,523,658	112,740,558
Liabilities				
Current:				
Warrants payable	89,811	34,155	21,327	145,293
Accrued liabilities	577,410	187,127	-	764,537
Other liabilities	-	2,178	-	2,178
Current portion of long-term liabilities:				
Bonds payable	2,189,466	1,560,217	55,000	3,804,683
Capital lease obligations	43,605	-	-	43,605
Compensated absences	9,900	27,871	-	37,771
Noncurrent:				
Bonds payable, net of current portion	34,050,175	15,106,654	945,000	50,101,829
Net pension liability	3,081,346	2,614,310	173,521	5,869,177
Net OPEB liability	1,475,915	1,675,552	-	3,151,467
Capital lease obligations, net of current portion	45,777	-	-	45,777
Compensated absences, net of current portion	39,600	111,482	-	151,082
Deferred Inflows of Resources				
Related to pensions	52,585	44,615	2,961	100,161
Related to OPEB	150,087	170,388	-	320,475
Total Liabilities and Deferred Inflows of Resources	41,805,677	21,534,549	1,197,809	64,538,035
Net Position				
Net investment in capital assets	16,752,175	24,191,773	931,610	41,875,558
Restricted for capital projects	1,780,179	-	-	1,780,179
Unrestricted	2,462,741	1,689,806	394,239	4,546,786
Total Net Position	\$ 20,995,095	\$ 25,881,579	\$ 1,325,849	\$ 48,202,523

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 6,760,573	\$ 5,185,712	\$ 428,908	\$ 12,375,193
Total Operating Revenues	6,760,573	5,185,712	428,908	12,375,193
Operating Expenses				
Salaries and wages	2,043,162	1,335,882	269,235	3,648,279
Other operating expenses	2,116,495	1,558,669	112,524	3,787,688
Depreciation	<u>2,867,434</u>	<u>2,178,158</u>	<u>76,473</u>	<u>5,122,065</u>
Total Operating Expenses	<u>7,027,091</u>	<u>5,072,709</u>	<u>458,232</u>	<u>12,558,032</u>
Operating Income (Loss)	(266,518)	113,003	(29,324)	(182,839)
Nonoperating Revenues (Expenses)				
Intergovernmental	131,885	111,069	-	242,954
Betterments	241,975	156,708	-	398,683
Investment income	61,474	14,628	-	76,102
Interest expense	<u>(1,007,322)</u>	<u>(444,814)</u>	<u>(26,835)</u>	<u>(1,478,971)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(571,988)</u>	<u>(162,409)</u>	<u>(26,835)</u>	<u>(761,232)</u>
Income (Loss) before transfers	(838,506)	(49,406)	(56,159)	(944,071)
Capital Contributions and Transfers				
Capital contributions	142,747	-	56,250	198,997
Transfers in	100,000	29,216	-	129,216
Transfers out	<u>(41,716)</u>	<u>(12,500)</u>	<u>-</u>	<u>(54,216)</u>
Change in Net Position	(637,475)	(32,690)	91	(670,074)
Net Position at Beginning of Year	<u>21,632,570</u>	<u>25,914,269</u>	<u>1,325,758</u>	<u>48,872,597</u>
Net Position at End of Year	\$ <u><u>20,995,095</u></u>	\$ <u><u>25,881,579</u></u>	\$ <u><u>1,325,849</u></u>	\$ <u><u>48,202,523</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, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,674,794	\$ 5,198,892	\$ 428,852	\$ 12,302,538
Payments to employees	(1,986,120)	(1,763,939)	(270,380)	(4,020,439)
Payments to vendors	<u>(3,010,079)</u>	<u>(1,632,450)</u>	<u>(119,467)</u>	<u>(4,761,996)</u>
Net Cash Provided By Operating Activities	1,678,595	1,802,503	39,005	3,520,103
Cash Flows From Noncapital Financing Activities				
Transfers in	100,000	29,216	-	129,216
Transfers out	<u>(41,716)</u>	<u>(12,500)</u>	<u>-</u>	<u>(54,216)</u>
Net Cash Provided By Noncapital Financing Activities	58,284	16,716	-	75,000
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(2,928,420)	(365,011)	(97,461)	(3,390,892)
Capital contributions	142,747	-	56,250	198,997
Betterments	322,304	192,319	-	514,623
Proceeds from issuance of bonds	1,496,500	-	-	1,496,500
Proceeds from issuance of capital lease obligations	137,438	-	-	137,438
Principal payments on notes	(1,500,000)	-	-	(1,500,000)
Principal payments on bonds	(2,111,748)	(1,534,879)	(50,000)	(3,696,627)
Principal payments on capital lease obligations	(48,056)	-	-	(48,056)
Interest expense	(1,027,573)	(480,911)	(26,835)	(1,535,319)
Intergovernmental (debt subsidy)	<u>131,885</u>	<u>111,069</u>	<u>-</u>	<u>242,954</u>
Net Cash (Used For) Capital and Related Financing Activities	(5,384,923)	(2,077,413)	(118,046)	(7,580,382)
Cash Flows From Investing Activities				
Sale (purchase) of investments	(54,493)	1,045,573	-	991,080
Investment income	<u>61,474</u>	<u>14,628</u>	<u>-</u>	<u>76,102</u>
Net Cash Provided By (Used For) Investing Activities	6,981	1,060,201	-	1,067,182
Net Change in Cash and Short-Term Investments	(3,641,063)	802,007	(79,041)	(2,918,097)
Cash and Short-Term Investments, Beginning of Year	<u>6,520,205</u>	<u>2,158,304</u>	<u>611,584</u>	<u>9,290,093</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,879,142</u>	<u>\$ 2,960,311</u>	<u>\$ 532,543</u>	<u>\$ 6,371,996</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating income (loss)	\$ (266,518)	\$ 113,003	\$ (29,324)	\$ (182,839)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,867,434	2,178,158	76,473	5,122,065
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(85,779)	13,180	(56)	(72,655)
Deferred outflows - related to pensions	(268,888)	(89,167)	(6,070)	(364,125)
Deferred outflows - related to OPEB	-	(152,333)	-	(152,333)
Warrants payable	(655,024)	(73,781)	(6,943)	(735,748)
Compensated absences	2,357	6,636	-	8,993
Net pension liability	544,600	258,635	18,400	821,635
Net OPEB liability	(392,836)	(416,518)	-	(809,354)
Deferred inflows - related to pensions	(216,195)	(204,979)	(13,475)	(434,649)
Deferred inflows - related to OPEB	<u>149,444</u>	<u>169,669</u>	<u>-</u>	<u>319,113</u>
Net Cash Provided By Operating Activities	<u>\$ 1,678,595</u>	<u>\$ 1,802,503</u>	<u>\$ 39,005</u>	<u>\$ 3,520,103</u>
Noncash Investing, Capital, and Financing Activities:				
Capital asset acquisitions not yet paid for (payable)	<u>\$ 241,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,944</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, 2019

(Except for Pension Trust Fund, which is as of December 31, 2018)

	Pension and OPEB <u>Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 763,534	\$ 315,101
Investments:		
State investment pool (PRIT)	80,587,041	-
Accounts receivable	96,575	-
Other assets	<u>-</u>	<u>104,386</u>
Total Assets	81,447,150	419,487
Liabilities		
Warrants payable	2,126	83,047
Student activities	-	242,972
Other liabilities	<u>-</u>	<u>93,468</u>
Total Liabilities	2,126	<u>\$ 419,487</u>
Net Position		
Restricted for pensions	80,671,348	
Restricted for OPEB purposes	<u>773,676</u>	
Total Net Position	<u>\$ 81,445,024</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, 2019

(Except for Pension Trust Fund, which is as of December 31, 2018)

	<u>Pension and OPEB Trust Funds</u>
Additions	
Contributions:	
Employers	\$ 7,729,150
Plan members	2,193,521
Other	<u>6,462</u>
Total contributions	9,929,133
Investment Income (loss):	
(Decrease) in fair value of investments	(1,397,541)
Less: management fees	<u>(432,945)</u>
Net investment (loss)	<u>(1,830,486)</u>
Total additions	8,098,647
Deductions	
Benefit payments to plan members and beneficiaries	9,530,838
Administrative expenses	<u>258,570</u>
Total deductions	<u>9,789,408</u>
Net decrease	(1,690,761)
Net position restricted for pensions and OPEB purposes	
Beginning of year	<u>83,135,785</u>
End of year	<u>\$ 81,445,024</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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 pension trust fund in the fiduciary fund financial statements. Additional financial information included in the System's audited financial statements can be obtained by contacting the System located at 16 Unicorn Street, Newburyport, Massachusetts 01950.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* is used to account for resources to be used on major construction projects and acquisition of land and equipment. The principal revenue sources are long-term bond proceeds, 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

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

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

The City reports the following fiduciary funds:

- The *pension* and *OPEB trust funds* are used to accumulate resources for retiree post-employment benefits.
- The *agency fund* is custodial in nature and is used to account for funds held for others. The fund reports only assets and liabilities, and therefore, has no measurement focus.

D. Cash, Short-Term Investments, and Investments

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

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

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

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

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

E. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of approximately \$326,531.

F. Capital Assets

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

assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable

resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

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

J. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	Revenues and <u>Transfers In</u>	Expenditures and <u>Transfers Out</u>	Other Financing <u>Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 74,723,536	\$ 74,649,051	\$ -
Reverse beginning of year appropriation carryforwards from expenditures	-	(539,404)	-
Add end-of-year appropriation carryforwards from expenditures	-	483,003	-
To record use of free cash	-	-	150,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,513,107)	(3,513,107)	-
To reverse Whittier Bridge mitigation proceeds	(681,181)	(681,181)	-
Unbudgeted stabilization activity	(86,901)	131,032	-
Other timing differences	<u>(17,347)</u>	<u>6,547</u>	<u>-</u>
Budgetary Basis	\$ <u>70,425,000</u>	\$ <u>70,535,941</u>	\$ <u>150,000</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2019. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding 10% of the capital and surplus of such bank or trust company." The City does not have a deposit policy for custodial credit risk.

As of June 30, 2019, \$11,225,816 of the City's bank balances of \$36,195,986 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. **Investments**

City (Excluding the OPEB and Pension Trust Funds)

The following is a summary of the City's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 936,192
Corporate bonds	199,624
Corporate equities	119,858
Equity mutual funds	1,410,073
Federal agency securities	1,700,520
Fixed income mutual funds	<u>1,159,521</u>
Total investments	\$ <u><u>5,525,788</u></u>

A. **Credit Risk**

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

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

<u>Ratings as of Year End</u>	<u>Investment Type</u>						
	<u>Amount</u>	<u>Certificates of Deposit</u>	<u>Corporate equities</u>	<u>Corporate bonds</u>	<u>Equity mutual funds</u>	<u>Federal agency securities</u>	<u>Fixed income mutual funds</u>
AAA	\$ 2,800,187	\$ -	\$ -	\$ -	\$ 632,559	\$ 1,560,767	\$ 606,861
AA	255,305	-	-	-	67,543	139,753	48,009
A	285,141	-	-	-	166,671	-	118,470
A3	199,624	-	-	199,624	-	-	-
BBB	329,528	-	-	-	192,616	-	136,912
BB	164,523	-	-	-	96,167	-	68,356
B	272,355	-	-	-	159,197	-	113,158
Unrated	1,219,125	936,192	119,858	-	95,320	-	67,755
Total	\$ 5,525,788	\$ 936,192	\$ 119,858	\$ 199,624	\$ 1,410,073	\$ 1,700,520	\$ 1,159,521

B. Custodial Credit Risk

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

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

As of June 30, 2019, \$5,525,788 of the City's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>
Certificates of deposits	\$ 936,192	\$ 936,192
Corporate bonds	199,624	199,624
Corporate equities	119,858	119,858
Equity mutual funds	1,410,073	1,410,073
Federal agency securities	1,700,520	1,700,520
Fixed income mutual funds	1,159,521	1,159,521
Total	\$ 5,525,788	\$ 5,525,788

C. Concentration of Credit Risk

The City's policy related to concentration of credit risk exposure places a limit on investments of no more than 5%.

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

Investments exceeding 5% were as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Guggenheim Total Return Bond	\$ <u>297,244</u>	5.38%
Total	\$ <u><u>297,244</u></u>	

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposits	\$ 936,192	\$ 936,192	\$ -	\$ -
Corporate bonds	199,624	199,624	-	-
Equity mutual funds	1,410,073	-	326,150	1,083,923
Federal agency securities	1,700,520	229,080	1,471,440	-
Fixed income mutual funds	<u>1,159,521</u>	<u>-</u>	<u>389,065</u>	<u>770,456</u>
Total	\$ <u><u>5,405,930</u></u>	\$ <u><u>1,364,896</u></u>	\$ <u><u>2,186,655</u></u>	\$ <u><u>1,854,379</u></u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. While the City has a formal investment policy, it does not specifically address foreign currency risk.

F. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset 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's OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using:		
<u>Investment Type</u>	<u>Amount</u>	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 199,624	\$ -	\$ 199,624	\$ -
Corporate equities	119,858	119,858	-	-
Equity mutual funds	1,410,073	1,410,073	-	-
Federal agency securities	1,700,520	-	1,700,520	-
Fixed income mutual funds	<u>1,159,521</u>	1,159,521	-	-
Total	<u>\$ 4,589,596</u>			

Equity 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 was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Investments - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
State investment pool (PRIT)*	\$ 773,676

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

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The OPEB Trust Fund does not have formal investment policies related to credit risk.

As of June 30, 2019, all of the OPEB Trust Fund's investments of \$773,676 were invested in external investment pools and unrated.

B. Custodial Credit Risk

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

As of June 30, 2019, 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.

C. Concentration of Credit Risk

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2019, the System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OPEB Trust Fund 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.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

F. Fair Value

The OPEB Trust Fund categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

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

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
State investment pool (PRIT)	\$ 773,676	\$ -	Monthly	30 Days

6. Investments - Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2018:

<u>Investment Type</u>	<u>Amount</u>
State investment pool (PRIT)*	\$ 79,813,365

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

A. Credit Risk

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

As of December 31, 2018, all of the System's investments of \$79,813,365 were invested in external investment pools and unrated.

B. Custodial Credit Risk

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

As of December 31, 2018, 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.

C. Concentration of Credit Risk

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

As of December 31, 2018, the System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The 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.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk.

F. Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

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

The System has the following fair value measurements as of December 31, 2018:

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
State investment pool (PRIT)	\$ 79,813,365	\$ -	Monthly	30 Days

7. Property Taxes and Excises Receivables

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

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

Property taxes and excise receivables at June 30, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,217,681	\$ (129,368)	\$ 1,088,313	\$ -
Personal property taxes	148,275	(122,063)	26,212	-
Community preservation act	20,225	(2,023)	18,202	-
Tax liens	644,278	(64,428)	-	579,850
Deferred taxes	8,907	-	8,907	-
Total property taxes	<u>\$ 2,039,366</u>	<u>\$ (317,882)</u>	<u>\$ 1,141,634</u>	<u>\$ 579,850</u>
Motor vehicle excise	\$ 765,575	\$ (385,267)	\$ 380,308	
Boat excise	92,454	(92,454)	-	
Total excises	<u>\$ 858,029</u>	<u>\$ (477,721)</u>	<u>\$ 380,308</u>	

8. User Fee Receivables

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

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

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

Receivables for water and sewer user fees and betterments at June 30, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Sewer			
Usage	\$ 1,727,495	\$ 172,750	\$ 1,554,745
Liens	26,937	8,082	18,855
Other fees	<u>1,664</u>	<u>832</u>	<u>832</u>
Subtotal sewer user fees	1,756,096	181,664	1,574,432
Water			
Usage	1,265,614	126,561	1,139,053
Liens	20,813	6,244	14,569
Other fees	<u>23,512</u>	<u>11,756</u>	<u>11,756</u>
Subtotal water user fees	<u>1,309,939</u>	<u>144,561</u>	<u>1,165,378</u>
Total user fees	<u>\$ 3,066,035</u>	<u>326,225</u>	<u>\$ 2,739,810</u>
Sewer betterments	3,335,421	-	3,335,421
Water betterments	<u>1,221,001</u>	<u>-</u>	<u>1,221,001</u>
Total betterments	<u>\$ 4,556,422</u>	<u>\$ -</u>	<u>\$ 4,556,422</u>

9. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

10. Interfund Transfers In and (Out)

The City reports interfund transfers among many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2019.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 139,932	\$ (1,543,135)
Capital projects fund	2,090,538	(110,903)
Nonmajor Governmental Funds:		
Special revenue funds	44,456	(689,888)
Expendable trust funds	-	(6,000)
Enterprise Funds:		
Sewer fund	100,000	(41,716)
Water fund	<u>29,216</u>	<u>(12,500)</u>
Total	<u>\$ 2,404,142</u>	<u>\$ (2,404,142)</u>

The transfer from the general fund to the capital projects fund primarily represents the City's practice of funding certain capital activity from general fund revenues. The transfer out from the 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, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

11. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 144,638,361	\$ 18,413,990	\$ -	\$ 163,052,351
Infrastructure	35,801,032	769,498	-	36,570,530
Machinery and equipment	8,013,559	1,040,605	-	9,054,164
Total capital assets, being depreciated	188,452,952	20,224,093	-	208,677,045
Less accumulated depreciation for:				
Buildings and improvements	(42,236,043)	(4,655,120)	-	(46,891,163)
Infrastructure	(24,423,077)	(818,271)	-	(25,241,348)
Machinery and equipment	(5,124,448)	(735,753)	-	(5,860,201)
Total accumulated depreciation	(71,783,568)	(6,209,144)	-	(77,992,712)
Total capital assets, being depreciated, net	116,669,384	14,014,949	-	130,684,333
Capital assets, not being depreciated:				
Land	11,936,991	-	-	11,936,991
Construction in progress	9,971,088	412,965	(9,578,818)	805,235
Total capital assets, not being depreciated	21,908,079	412,965	(9,578,818)	12,742,226
Governmental activities capital assets, net	\$ 138,577,463	\$ 14,427,914	\$ (9,578,818)	\$ 143,426,559

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,315,303	\$ 2,146,035	\$ -	\$ 11,461,338
Infrastructure	138,501,849	22,050	-	138,523,899
Machinery and equipment	<u>3,231,513</u>	<u>404,561</u>	<u>-</u>	<u>3,636,074</u>
Total capital assets, being depreciated	151,048,665	2,572,646	-	153,621,311
Less accumulated depreciation for:				
Buildings and improvements	(1,004,064)	(493,117)	-	(1,497,181)
Infrastructure	(57,779,027)	(4,323,386)	-	(62,102,413)
Machinery and equipment	<u>(2,205,701)</u>	<u>(305,562)</u>	<u>-</u>	<u>(2,511,263)</u>
Total accumulated depreciation	<u>(60,988,792)</u>	<u>(5,122,065)</u>	<u>-</u>	<u>(66,110,857)</u>
Total capital assets, being depreciated, net	90,059,873	(2,549,419)	-	87,510,454
Capital assets, not being depreciated:				
Land	1,261,367	-	-	1,261,367
Construction in progress	<u>5,607,585</u>	<u>3,160,900</u>	<u>(2,100,710)</u>	<u>6,667,775</u>
Total capital assets, not being depreciated	<u>6,868,952</u>	<u>3,160,900</u>	<u>(2,100,710)</u>	<u>7,929,142</u>
Business-type activities capital assets, net	<u>\$ 96,928,825</u>	<u>\$ 611,481</u>	<u>\$ (2,100,710)</u>	<u>\$ 95,439,596</u>

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

Governmental Activities	
General government	\$ 436,381
Public safety	234,302
Education	2,994,844
Public works	1,337,080
Health and human services	238,272
Culture and recreation	<u>968,265</u>
Total governmental activities	<u>\$ 6,209,144</u>
Business-Type Activities	
Sewer	\$ 2,867,434
Water	2,178,158
Harbormaster	<u>76,473</u>
Total business-type activities	<u>\$ 5,122,065</u>

12. Deferred Outflows of Resources

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

13. Warrants Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019.

14. Accrued Liabilities

Accrued liabilities represent accrued interest and wages incurred prior to June 30, 2019 paid after July 1, 2019.

15. Other Liabilities

Other liabilities reported in the general fund consists of payroll deductions and tailings accounts.

16. Notes Payable

The following summarizes activity in notes payable for the year ended June 30, 2019:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Governmental Activities</u>							
Parking Facility land acquisition	1.75%	04/20/18	04/18/19	\$ 435,000	\$ -	\$ (435,000)	-
Parking Facility construction	1.75%	04/20/18	04/18/19	500,372	-	(500,372)	-
Total Governmental Activities				<u>\$ 935,372</u>	<u>\$ -</u>	<u>\$ (935,372)</u>	<u>\$ -</u>
<u>Business-Type Activities</u>							
Wastewater treatment facility	1.75%	04/20/18	04/18/19	\$ 1,000,000	\$ -	\$ (1,000,000)	-
Graf Road pump station	1.75%	04/20/18	04/18/19	500,000	-	(500,000)	-
Total Business-Type Activities				<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>

17. Capital Lease Obligations

The City is the lessee of certain vehicles under capital leases expiring in various years through 2021. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2019:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 114,171	\$ 11,655	\$ 125,826
2021	<u>119,856</u>	<u>5,969</u>	<u>125,825</u>
Total	<u>234,027</u>	<u>\$ 17,624</u>	<u>\$ 251,651</u>

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 43,605	\$ 4,451	\$ 48,056
2021	<u>45,777</u>	<u>2,280</u>	<u>48,057</u>
Total	<u>89,382</u>	<u>\$ 6,731</u>	<u>\$ 96,113</u>

18. Long-Term Debt

A. General Obligation Bonds

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

	Interest Rate(s) %	Serial Maturities Through	Amount Outstanding as of 6/30/19
<u>Governmental Activities:</u>			
Library renovations refunding	2.00 - 3.00%	2020	\$ 45,000
City Hall refunding	2.00 - 3.00%	2020	10,000
High School	2.50 - 5.00%	2023	552,500
Fire trucks	2.00%	2025	620,000
High School	2.50 - 5.00%	2025	1,637,800
Nock/Molin School baseball field	2.00 - 2.50%	2030	1,360,000
Cherry Hill Parcel B soccer field	2.00 - 2.50%	2030	110,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,215,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,235,000
Bresnahan School	2.50 - 5.00%	2033	13,731,000
Nock/Molin School	2.50 - 5.00%	2033	9,949,000
Bresnahan School	2.125 - 5.00%	2035	1,640,000
Nock/Molin School	2.125 - 5.00%	2035	960,000
Senior and Community Center	2.125 - 5.00%	2035	5,325,000
Bresnahan School	2.00 - 2.50%	2036	1,745,000
Nock/Molin School	2.00 - 2.50%	2036	875,000
Nock/Molin School	2.00 - 3.50%	2037	345,000
Remodeling Central Fire Station	2.00 - 3.50%	2037	368,112
Drainage	2.00 - 3.50%	2037	361,888
Parking Facility - Planning & Design	3.00 - 5.00%	2043	600,000
Parking Facility - Construction	3.00 - 5.00%	2043	2,070,000
Parking Facility - Land Acquisition	3.00 - 5.00%	2043	3,035,000
Parking Facility - Construction	2.50 - 5.00%	2044	499,500
Drainage	2.50 - 5.00%	2044	<u>434,000</u>
Total Governmental Activities Debt			<u>\$ 48,723,800</u>

<u>Business-Type Activities:</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/19</u>
MCWT (CW-97-34)	0.75%	2020	\$ 45,000
Wastewater plant refunding	2.00 - 3.25%	2021	170,000
Sewer	2.50 - 5.00%	2025	228,700
Sewer I	2.00 - 4.00%	2025	120,000
Sewer II	2.00 - 4.00%	2025	525,000
Sewer III	2.00 - 4.00%	2025	220,000
Sewer	2.00 - 4.00%	2028	2,400,000
MCWT (CWS-09-10)	2.00%	2031	2,669,989
MCWT (CWS-09-10-A)	2.00%	2033	4,542,693
Sewer	2.50 - 5.00%	2033	390,000
MCWT (CW-09-10)	2.00%	2033	9,961,555
MCWT (CW-01-11)	3.50 - 5.00%	2035	3,055,000
Plum Island (CW-02-51) - 60%	2.00%	2037	764,742
Graf/Hale force sewer main	2.00 - 3.50%	2037	2,530,000
Wastewater treatment	3.00 - 5.00%	2042	3,701,000
Graf Road pump station	3.00 - 5.00%	2042	3,239,000
Wastewater treatment facility	2.50 - 5.00%	2044	797,500
Graf Road pump station replacement	3.00 - 5.00%	2044	499,000
Wastewater Treatment odor control & facilities upgrade	3.00 - 5.00%	2044	200,000
Water improvements refunding	2.00 - 3.25%	2021	160,000
Water I	2.00 - 4.00%	2024	175,000
MCWT (DW-01-06)	3.40 - 5.25%	2025	1,000,806
MCWT (DW-02-16)	3.00 - 5.25%	2025	1,360,000
MCWT (DW-01-06-A)	0.00%	2025	106,399
Water	2.50 - 5.00%	2025	167,800
Plum Island Water	2.50 - 5.00%	2025	168,200
Water System Improvements	3.00 - 5.00%	2025	910,000
Water III	2.00 - 4.00%	2025	265,000
MCWT (DW-10-09)	2.00%	2033	6,134,598
Water	2.50 - 5.00%	2033	640,000
MCWT (DW-10-09-A)	2.00%	2033	4,727,558
MCWT (DW-10-09-B)	2.00%	2035	246,839
Plum Island (CW-02-51) - 40%	2.00%	2037	509,987
Transient Boater Facility	2.00 - 3.50%	2024	880,000
Transient Boater Facility	3.00 - 5.00%	2028	75,000
Transient Boater Facility	2.00 - 3.00%	2036	45,000
Total Business-Type Activities Debt			<u>\$ 53,631,366</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,324,600	\$ 1,686,981	\$ 4,011,581
2021	2,406,500	1,602,054	4,008,554
2022	2,492,100	1,515,618	4,007,718
2023	2,591,900	1,415,513	4,007,413
2024	2,711,500	1,309,269	4,020,769
2025 - 2029	14,892,200	4,926,973	19,819,173
2030 - 2034	14,505,000	2,311,643	16,816,643
Thereafter	6,800,000	772,708	7,572,708
Total	<u>\$ 48,723,800</u>	<u>\$ 15,540,759</u>	<u>\$ 64,264,559</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2019:

General fund	\$ 41,194,300
Community Preservation Act fund	1,325,000
Paid Parking fund	<u>6,204,500</u>
Total	<u>\$ 48,723,800</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,781,056	\$ 1,413,943	\$ 5,194,999
2021	3,817,298	1,299,410	5,116,708
2022	3,660,157	1,188,839	4,848,996
2023	3,730,175	1,081,694	4,811,869
2024	3,806,258	973,261	4,779,519
2025 - 2029	16,424,604	3,460,120	19,884,724
2030 - 2034	13,381,386	1,491,833	14,873,219
Thereafter	5,030,432	617,224	5,647,656
Total	<u>\$ 53,631,366</u>	<u>\$ 11,526,324</u>	<u>\$ 65,157,690</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2019 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
12/01/03	Sewer	\$ 700,000
09/03/04	Water	46,175
12/16/05	Land acquisition	500,000
04/08/09	Wastewater treatment facility	11,520
09/10/10	Water treatment plant and pump station improvements	1,278,800
01/12/12	Sewer	6,270,000
06/05/12	Bresnahan School	165,433
06/05/12	Nock/Molin School	399,398
06/20/18	Various roof replacement projects	1,040,000
Total		<u>\$ 10,411,326</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, 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	\$ 50,502,000	\$ 933,500	\$ (2,711,700)	\$ 48,723,800	\$ (2,324,600)	\$ 46,399,200
Unamortized bond premiums	<u>2,381,104</u>	<u>-</u>	<u>(183,211)</u>	<u>2,197,893</u>	<u>(183,211)</u>	<u>2,014,682</u>
Subtotal	52,883,104	933,500	(2,894,911)	50,921,693	(2,507,811)	48,413,882
Net pension liability	32,185,458	5,966,365	-	38,151,823	-	38,151,823
Net OPEB liability	70,326,145	3,159,913	-	73,486,058	-	73,486,058
Capital lease obligations	-	359,852	(125,825)	234,027	(114,171)	119,856
Compensated absences	<u>4,368,113</u>	<u>1,092,028</u>	<u>(873,623)</u>	<u>4,586,518</u>	<u>(917,304)</u>	<u>3,669,214</u>
Totals	<u>\$ 159,762,820</u>	<u>\$ 11,511,658</u>	<u>\$ (3,894,359)</u>	<u>\$ 167,380,119</u>	<u>\$ (3,539,286)</u>	<u>\$ 163,840,833</u>
Business-Type Activities						
Bonds payable	\$ 55,831,493	\$ 1,496,500	\$ (3,696,627)	\$ 53,631,366	\$ (3,781,056)	\$ 49,850,310
Unamortized bond premiums	<u>298,773</u>	<u>-</u>	<u>(23,627)</u>	<u>275,146</u>	<u>(23,627)</u>	<u>251,519</u>
Subtotal	56,130,266	1,496,500	(3,720,254)	53,906,512	(3,804,683)	50,101,829
Net pension liability	5,047,542	821,635	-	5,869,177	-	5,869,177
Net OPEB liability	3,960,821	-	(809,354)	3,151,467	-	3,151,467
Capital lease obligations	-	137,438	(48,056)	89,382	(43,605)	45,777
Compensated absences	<u>179,860</u>	<u>44,965</u>	<u>(35,972)</u>	<u>188,853</u>	<u>(37,771)</u>	<u>151,082</u>
Totals	<u>\$ 65,318,489</u>	<u>\$ 2,500,538</u>	<u>\$ (4,613,636)</u>	<u>\$ 63,205,391</u>	<u>\$ (3,886,059)</u>	<u>\$ 59,319,332</u>

19. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The City reports three items as deferred inflows of resources: one which is attributable to changes in the net pension liability, one which is attributable to changes in the net OPEB liability, and the other which arises from the current financial resources measurement

focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension and OPEB will be recognized as a reduction to expense in future years and is more fully described in the corresponding pension and OPEB notes.

Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year. In addition, *property taxes collected in advance* are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax collections which are not available for use in the current year.

20. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2019:

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

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

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

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification

includes general fund encumbrances (purchase orders) that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

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

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

Following is a breakdown of the City's fund balances at June 30, 2019:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 1,679,757	\$ 1,679,757
Total Nonspendable	-	-	1,679,757	1,679,757
Restricted				
Capital project funds	-	1,007,454	-	1,007,454
Permanent funds	-	-	930,213	930,213
Community preservation	-	-	2,622,225	2,622,225
Affordable housing	-	-	539,879	539,879
Downtown paid parking	-	-	1,040,118	1,040,118
School choice	-	-	1,532,372	1,532,372
Circuit breaker (special education)	-	-	865,033	865,033
Full-day kindergarten	-	-	284,563	284,563
Curriculum/staff development	-	-	460,411	460,411
Sale of municipal buildings	-	-	693,500	693,500
Sewer I/I	-	-	415,172	415,172
Solid waste	-	-	268,852	268,852
Recreation	-	-	279,839	279,839
Smart growth zoning incentive	-	-	350,000	350,000
Waterfront bulkhead	-	-	183,314	183,314
Green initiative	-	-	161,910	161,910
Other special revenue funds	-	-	2,448,215	2,448,215
Total Restricted	-	1,007,454	13,075,616	14,083,070
Committed				
For technology stabilization accounts	322,620	-	-	322,620
For compensated absences	191,155	-	-	191,155
For capital stabilization accounts	223,803	-	-	223,803
For capital projects	-	2,513,260	-	2,513,260
Total Committed	737,578	2,513,260	-	3,250,838

(continued)

(continued)

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assigned				
Encumbrances:				
General government	11,638	-	-	11,638
Public safety	1,865	-	-	1,865
Education	112,653	-	-	112,653
Public works	356,383	-	-	356,383
Health and human services	634	-	-	634
Culture and recreation	<u>3,950</u>	<u>-</u>	<u>-</u>	<u>3,950</u>
Total Assigned	487,123	-	-	487,123
Unassigned				
General fund	3,722,644	-	-	3,722,644
General stabilization account	3,157,996	-	-	3,157,996
Deficit funds	<u>-</u>	<u>-</u>	<u>(165,776)</u>	<u>(165,776)</u>
Total Unassigned	<u>6,880,640</u>	<u>-</u>	<u>(165,776)</u>	<u>6,714,864</u>
Total Fund Balance	<u>\$ 8,105,341</u>	<u>\$ 3,520,714</u>	<u>\$ 14,589,597</u>	<u>\$ 26,215,652</u>

21. **Newburyport Contributory Retirement System**

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

A. Plan Description

Substantially all employees of the City (except teachers) and the Newburyport Housing Authority are members the Newburyport Contributory Retirement System (the System), a cost-sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 16 Unicorn Street, Newburyport, Massachusetts 01950.

Participants Contributions

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

on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

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 Massachusetts 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 members 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%.

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, 2019 was \$4,526,373, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2019, the City reported a liability of \$44,021,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date, the City's proportion was 97.59%.

For the year ended June 30, 2019, the City recognized pension expense of \$6,558,890. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 682,150	\$ (741,680)
Changes of assumptions	2,077,690	-
Net difference between projected and actual earnings on pension plan investments	3,612,780	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>27,270</u>	<u>(9,560)</u>
Total	<u>\$ 6,399,890</u>	<u>\$ (751,240)</u>

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

Year ended June 30:

2020	\$ 2,840,845
2021	937,816
2022	277,156
2023	<u>1,592,833</u>
Total	<u>\$ 5,648,650</u>

D. Actuarial Assumptions

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

Valuation Date	January 1, 2018
Actuarial cost method	Individual entry age normal
Remaining amortization period	17 years from July 1, 2018
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3.00% of first \$12,000
Mortality:	
Pre-retirement and beneficiary	RP-2000 Employees table projected generationally with scale BB and a base year of 2009 (gender distinct)
Retired members	RP-2000 Healthy Annuitant table projected generationally with scale BB and a base year of 2009 (gender distinct)
Disabled members	RP-2000 Healthy Annuitant table projected generationally with scale BB and a base year of 2012 (gender distinct)

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

E. 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	17.50%	7.62%
International equity	15.50%	7.80%
Portfolio completion (PCS)	13.00%	6.83%
Core fixed income	12.00%	3.96%
Private equities	12.00%	11.15%
Value-added fixed income	10.00%	7.58%
Real estate	10.00%	6.59%
Emerging international equities	6.00%	9.31%
Timberland	4.00%	7.00%
Total	<u>100.00%</u>	

F. Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
\$ 57,878,683	\$ 44,021,000	\$ 32,267,161

H. Pension Plan Fiduciary Net Position

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

22. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

B. Benefits Provided

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

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most

employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

- Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

E. 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	0.90%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. 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 to 6.35%	Current Discount Rate of 7.35%	1% Increase to 8.35%
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

H. Special Funding Situation

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

I. City Proportions

In fiscal year 2018 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$63,356,687 based on a proportionate share of .267201%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$3,513,107 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$6,420,283 as both a revenue and expense in the governmental activities.

23. Other Post-Employment Benefits (GASB 74 and GASB 75)

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods

and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. 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 the 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	489
Active employees	<u>583</u>
Total	<u><u>1,072</u></u>

B. Investments

The OPEB trust fund assets are invested with the State investment pool (PRIT).

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.66%. The money-weighted rate of return expresses investment

performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	4.50%
Healthcare cost trend rates	4.50% for 2019 and later years 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.

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.

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 1 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 in the valuation were based on the latest experience studies of the Massachusetts Public Employee Retirement Administration Commission (PERAC) issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	14.50%	4.00%
Domestic Equity - Small/Mid Cap	3.50%	6.00%
International Equity - Developed Market	16.00%	4.50%
International Equity - Emerging Market	6.00%	7.00%
Domestic Fixed Income	20.00%	2.00%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	14.00%	6.25%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 4.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04% and municipal bond rate of 2.79% (based on S&P 20-year municipal bond rate index as of June 30, 2019).

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 77,411,201
Plan fiduciary net position	<u>773,676</u>
Net OPEB liability	<u>\$ 76,637,525</u>

Plan fiduciary net position as a percentage of the total OPEB liability	1.00%
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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.

F. Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 75,350,348	\$ 675,453	\$ 74,674,895
Changes for the year:			
Service cost	2,417,544	-	2,417,544
Interest	3,437,638	-	3,437,638
Contributions - employer	-	2,842,475	(2,842,475)
Net investment income	-	38,223	(38,223)
Differences between expected and actual experience	(9,654,268)	-	(9,654,268)
Changes in assumptions or other inputs	8,642,414	-	8,642,414
Benefit payments	<u>(2,782,475)</u>	<u>(2,782,475)</u>	<u>-</u>
Net Changes	<u>2,060,853</u>	<u>98,223</u>	<u>1,962,630</u>
Balances, end of year	<u>\$ 77,411,201</u>	<u>\$ 773,676</u>	<u>\$ 76,637,525</u>

Since the prior valuation, the following assumptions reflected changes from 2018 to 2019 as follows:

- Changes in assumptions and other inputs reflect a change in the discount rate from 4.25% to 4.50%. This caused the total liability to decrease.

- Differences between expected and actual experience reflects changes in the following:
 - The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year of 2009 to the RP-2012 Mortality Table projected generationally with scale MP-2016 for males and females. This caused the total liability to increase.
 - The expected long-term medical trend has been updated to 4.50%. This caused the total liability to decrease.

G. 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:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 88,498,161	\$ 76,637,525	\$ 67,116,135

H. 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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 66,171,945	\$ 76,637,525	\$ 89,785,444

I. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2019, the recognized an OPEB expense of \$2,762,887. At June 30, 2019, the City reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ (7,783,286)
Changes of assumptions	6,967,528	-
Net difference between projected and actual OPEB investment earnings	-	(10,007)
Total	<u>\$ 6,967,528</u>	<u>\$ (7,793,293)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ (200,192)
2021	(200,192)
2022	(200,192)
2023	(193,815)
2024	<u>(31,374)</u>
Total	<u>\$ (825,765)</u>

24. 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, 2018)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 763,534	\$ -	\$ 763,534
Investments			
State investment pool (PRIT)	79,813,365	773,676	80,587,041
Accounts receivable	<u>96,575</u>	<u>-</u>	<u>96,575</u>
Total Assets	80,673,474	773,676	81,447,150
Liabilities			
Warrants payable	<u>2,126</u>	<u>-</u>	<u>2,126</u>
Total Liabilities	2,126	-	2,126
Net Position			
Restricted for pensions	80,671,348	-	80,671,348
Restricted for OPEB purposes	<u>-</u>	<u>773,676</u>	<u>773,676</u>
Total Net Position	<u>\$ 80,671,348</u>	<u>\$ 773,676</u>	<u>\$ 81,445,024</u>

	Pension Trust Fund (year ended December 31, 2018)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 4,886,675	\$ 2,842,475	\$ 7,729,150
Plan members	2,193,521	-	2,193,521
Other	6,462	-	6,462
Total contributions	7,086,658	2,842,475	9,929,133
Investment Income (Loss):			
Increase (decrease) in fair value of investments	(1,435,764)	38,223	(1,397,541)
Less: management fees	(432,945)	-	(432,945)
Net investment income (loss)	(1,868,709)	38,223	(1,830,486)
Total additions	5,217,949	2,880,698	8,098,647
Deductions			
Benefit payments to plan members and beneficiaries	6,748,363	2,782,475	9,530,838
Administrative expenses	258,570	-	258,570
Total deductions	7,006,933	2,782,475	9,789,408
Net increase (decrease)	(1,788,984)	98,223	(1,690,761)
Net position restricted for pensions and OPEB purposes			
Beginning of year	82,460,332	675,453	83,135,785
End of year	\$ 80,671,348	\$ 773,676	\$ 81,445,024

25. Commitments and Contingencies

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

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

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

Encumbrances - At year-end the City's general fund has \$487,123 in encumbrances that will be honored in the next fiscal year.

26. **Tax Abatements**

The City provides property tax abatements authorized under Massachusetts General Law (MGL) Chapter 12A, Section 3E, *Economic Opportunity Areas*, and MGL Chapter 59, Section 5, Clause 51, *Property; exemptions*. The purpose of the program is to provide property tax assessment relief to stimulate job creation in distressed areas, attract new businesses, encourage business expansion, and increase overall economic development in Massachusetts. Tax Increment Financing (TIF) agreements are utilized as tools by which the difference between the beginning assessed value of the property and the value added by new construction or rehabilitation is exempted from taxation. Applicants may be granted property tax exemptions of up to 100% of the tax increment for a maximum term of 20 years and must initiate a TIF agreement by a vote of its governing body approving the TIF plan. A TIF Zone must be in an area approved by the Economic Assistance Coordinating Council (EACC) as an *Economic Opportunity Area* (EOA) or found to be an area “presenting exceptional opportunities for economic development” by the Director of Economic Development. Certification of the TIF Plan is issued by the EACC after the plan is accepted by municipal vote.

Property tax revenues were reduced by \$15,287 under agreements entered in to by the City during fiscal year 2019.

27. **New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the City beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the City beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

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

JUNE 30, 2019

(Unaudited)
(In Thousands)

Newburyport Contributory Retirement System								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability		
June 30, 2019	December 31, 2018	97.590%	\$ 44,021	\$ 18,355	239.83%	64.14%		
June 30, 2018	December 31, 2017	97.570%	\$ 37,233	\$ 18,355	202.85%	68.36%		
June 30, 2017	December 31, 2016	97.480%	\$ 44,136	\$ 17,485	252.42%	61.08%		
June 30, 2016	December 31, 2015	97.450%	\$ 36,925	\$ 15,176	243.31%	63.95%		
June 30, 2015	December 31, 2014	97.591%	\$ 33,270	\$ 15,176	219.23%	66.18%		
Massachusetts Teachers' Retirement System								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City	Total Net Pension Liability Associated with the City	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	0.267201%	\$ -	\$ 63,357	\$ 63,357	\$ 18,765	0.00%	54.84%
June 30, 2018	June 30, 2017	0.276922%	\$ -	\$ 63,375	\$ 63,375	\$ 18,804	0.00%	54.25%
June 30, 2017	June 30, 2016	0.264440%	\$ -	\$ 59,123	\$ 59,123	\$ 17,394	0.00%	52.73%
June 30, 2016	June 30, 2015	0.262694%	\$ -	\$ 53,825	\$ 53,825	\$ 16,652	0.00%	55.38%
June 30, 2015	June 30, 2014	0.264517%	\$ -	\$ 42,049	\$ 42,049	\$ 16,219	0.00%	61.64%

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019

(Unaudited)
(In Thousands)

Newburyport Contributory Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 4,526	\$ 4,526	\$ -	\$ 18,355	24.66%
June 30, 2018	December 31, 2017	\$ 4,298	\$ 4,298	\$ -	\$ 18,355	23.42%
June 30, 2017	December 31, 2016	\$ 4,077	\$ 4,077	\$ -	\$ 17,485	23.32%
June 30, 2016	December 31, 2015	\$ 3,910	\$ 3,910	\$ -	\$ 15,176	25.76%
June 30, 2015	December 31, 2014	\$ 3,998	\$ 3,998	\$ -	\$ 15,176	26.34%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 3,513	\$ 3,513	\$ -	\$ 18,765	18.72%
June 30, 2018	June 30, 2017	\$ 3,421	\$ 3,421	\$ -	\$ 18,804	18.19%
June 30, 2017	June 30, 2016	\$ 2,974	\$ 2,974	\$ -	\$ 17,394	17.10%
June 30, 2016	June 30, 2015	\$ 2,685	\$ 2,685	\$ -	\$ 16,652	16.12%
June 30, 2015	June 30, 2014	\$ 2,480	\$ 2,480	\$ -	\$ 16,219	15.29%

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

See Independent Auditors' Report.

NEWBURYPORT CONTRIBUTORY RETIREMENT SYSTEM
CITY OF NEWBURYPORT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE NET PENSION LIABILITY (GASB 67)

(Unaudited)
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 2,892	\$ 2,683	\$ 2,567	\$ 2,251	\$ 2,154
Interest on unfunded liability - time value of \$	9,011	8,678	7,832	7,766	7,459
Differences between expected and actual experience	-	(1,346)	2,199	-	-
Changes of assumptions	-	894	5,100	-	-
Benefit payments, including refunds of member contributions	<u>(6,748)</u>	<u>(6,604)</u>	<u>(6,482)</u>	<u>(5,730)</u>	<u>(5,770)</u>
Net change in total pension liability	5,155	4,305	11,216	4,287	3,843
Total pension liability - beginning	<u>120,624</u>	<u>116,319</u>	<u>105,103</u>	<u>100,816</u>	<u>96,973</u>
Total pension liability - ending (a)	125,779	120,624	116,319	105,103	100,816
Plan Fiduciary Net Position					
Contributions - employer	4,887	4,654	4,432	4,262	4,098
Contributions - member	2,194	1,912	1,399	1,743	1,493
Net investment income (loss)	(1,869)	11,683	4,712	413	4,655
Benefit payments, including refunds of member contributions	(6,748)	(6,604)	(6,482)	(5,730)	(5,770)
Administrative expense	(259)	(254)	(231)	(201)	(191)
Other	<u>6</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>20</u>
Net change in plan fiduciary net position	(1,789)	11,418	3,830	487	4,305
Plan fiduciary net position - beginning	<u>82,460</u>	<u>71,042</u>	<u>67,212</u>	<u>66,725</u>	<u>62,420</u>
Plan fiduciary net position - ending (b)	<u>80,671</u>	<u>82,460</u>	<u>71,042</u>	<u>67,212</u>	<u>66,725</u>
Net pension liability (asset) - ending (a-b)	<u>\$ 45,108</u>	<u>\$ 38,164</u>	<u>\$ 45,277</u>	<u>\$ 37,891</u>	<u>\$ 34,091</u>

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

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

See Independent Auditors' Report.

NEWBURYPORT CONTRIBUTORY RETIREMENT SYSTEM
CITY OF NEWBURYPORT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 67)

(Unaudited)
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Net Pension Liability					
Total pension liability	\$ 125,779	\$ 120,624	\$ 116,319	\$ 105,103	\$ 100,816
Plan fiduciary net position	<u>(80,671)</u>	<u>(82,460)</u>	<u>(71,042)</u>	<u>(67,212)</u>	<u>(66,725)</u>
Net pension liability (asset)	<u>\$ 45,108</u>	<u>\$ 38,164</u>	<u>\$ 45,277</u>	<u>\$ 37,891</u>	<u>\$ 34,091</u>
Plan fiduciary net position as a percentage of the total pension liability	64.14%	68.36%	61.08%	63.95%	66.18%
Covered employee payroll	\$ 18,808	\$ 18,808	\$ 17,485	\$ 15,551	\$ 15,551
Participating employer net pension liability (asset) as a percentage of covered payroll	239.83%	202.91%	258.95%	243.66%	219.22%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Contributions					
Actuarially determined contribution	\$ 4,638	\$ 4,405	\$ 4,432	\$ 4,012	\$ 4,098
Contributions in relation to the actuarially determined contribution	<u>4,638</u>	<u>4,405</u>	<u>4,432</u>	<u>4,012</u>	<u>4,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,808	\$ 18,808	\$ 17,485	\$ 15,551	\$ 15,551
Contributions as a percentage of covered payroll	24.66%	23.42%	25.35%	25.80%	26.35%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Investment Returns					
<i>Year Ended December 31</i>					
Annual money weighted rate of return, net of investment expense	(2.31%)	17.12%	7.45%	0.62%	7.56%

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 2,418	\$ 2,424	\$ 3,006
Interest on unfunded liability - time value of \$	3,437	3,431	2,884
Differences between expected and actual experience	(9,654)	(11,930)	-
Changes of assumptions	8,642	-	-
Benefit payments, including refunds of member contributions	<u>(2,782)</u>	<u>(2,657)</u>	<u>(2,457)</u>
Net change in total OPEB liability	2,061	(8,732)	3,433
Total OPEB liability - beginning	<u>75,350</u>	<u>84,082</u>	<u>80,649</u>
Total OPEB liability - ending (a)	77,411	75,350	\$ 84,082
Plan Fiduciary Net Position			
Contributions - employer	2,842	2,707	\$ 2,482
Net investment income	38	54	66
Benefit payments, including refunds of member contributions	<u>(2,782)</u>	<u>(2,657)</u>	<u>(2,457)</u>
Net change in plan fiduciary net position	98	104	91
Plan fiduciary net position - beginning	<u>675</u>	<u>571</u>	<u>480</u>
Plan fiduciary net position - ending (b)	<u>773</u>	<u>675</u>	\$ <u>571</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u><u>76,638</u></u>	\$ <u><u>74,675</u></u>	\$ <u><u>83,511</u></u>

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

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 77,411	\$ 75,350	\$ 84,082
Plan fiduciary net position	<u>(773)</u>	<u>(675)</u>	<u>(571)</u>
Net OPEB liability (asset)	<u>\$ 76,638</u>	<u>\$ 74,675</u>	<u>\$ 83,511</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.00%	0.90%	0.68%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 6,919	\$ 7,330	\$ 7,217
Contributions in relation to the actuarially determined contribution	<u>2,842</u>	<u>2,707</u>	<u>2,482</u>
Contribution deficiency (excess)	<u>\$ 4,077</u>	<u>\$ 4,623</u>	<u>\$ 4,735</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	5.66%	9.53%	7.04%

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

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

See Independent Auditors' Report.