



CITY OF NEWBURYPORT, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

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

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, 2021 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2020), 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 City'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 City's internal control.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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, 2021 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2020), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the financial statements, in fiscal year 2021 the City adopted Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2022 on our consideration of the City's internal control over financial reporting and on



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

Andover, Massachusetts
March 21, 2022

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, 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's 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.

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(2,600,366), a change of \$(3,260,592), and net position in business-type activities was \$46,429,513, a change of \$(471,870).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$29,454,089, a change of \$3,911,096 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,983,496, a change of \$(285,865) in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 37,558,961	\$ 34,393,066	\$ 16,851,853	\$ 16,056,202	\$ 54,410,814	\$ 50,449,268
Capital assets	<u>138,547,953</u>	<u>140,800,772</u>	<u>85,150,063</u>	<u>90,780,048</u>	<u>223,698,016</u>	<u>231,580,820</u>
Total Assets	176,106,914	175,193,838	102,001,916	106,836,250	278,108,830	282,030,088
Deferred Outflows of Resources	16,290,652	12,379,925	1,181,312	620,411	17,471,964	13,000,336
Long-term liabilities	178,755,185	169,978,815	55,056,106	58,834,052	233,811,291	228,812,867
Other liabilities	<u>6,872,791</u>	<u>8,435,234</u>	<u>772,763</u>	<u>1,013,168</u>	<u>7,645,554</u>	<u>9,448,402</u>
Total Liabilities	185,627,976	178,414,049	55,828,869	59,847,220	241,456,845	238,261,269
Deferred Inflows of Resources	9,369,956	8,778,264	924,846	708,058	10,294,802	9,486,322
Net investment in capital assets	90,593,459	90,925,405	38,889,159	41,017,508	129,482,618	131,942,913
Restricted	18,618,724	15,540,954	1,789,268	1,809,915	20,407,992	17,350,869
Unrestricted	<u>(111,812,549)</u>	<u>(106,084,909)</u>	<u>5,751,086</u>	<u>4,073,960</u>	<u>(106,061,463)</u>	<u>(102,010,949)</u>
Total Net Position	\$ <u>(2,600,366)</u>	\$ <u>381,450</u>	\$ <u>46,429,513</u>	\$ <u>46,901,383</u>	\$ <u>43,829,147</u>	\$ <u>47,282,833</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At the close of the most recent fiscal year, total net position was \$43,829,147, a change of \$(3,732,462), or (7.85)%, in comparison to the prior year.

The largest portion of net position, \$129,482,618, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens;

consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$20,407,992, 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 \$(106,061,463) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 6,242,515	\$ 5,699,754	\$ 14,201,370	\$ 13,192,953	\$ 20,443,885	\$ 18,892,707
Operating grants and contributions	21,513,436	17,063,732	211,651	234,043	21,725,087	17,297,775
Capital grants and contributions	924,776	1,440,684	257,979	43,404	1,182,755	1,484,088
General revenues:						
Property taxes	62,130,467	59,481,044	-	-	62,130,467	59,481,044
Excises	3,749,239	3,737,162	-	-	3,749,239	3,737,162
Penalties, interest, and other taxes	368,847	377,507	-	-	368,847	377,507
Grants and contributions not restricted to specific programs	2,849,818	2,846,243	-	-	2,849,818	2,846,243
Investment income	667,634	520,439	29,353	31,464	696,987	551,903
Other	623,362	560,029	29,085	-	652,447	560,029
Total Revenues	99,070,094	91,726,594	14,729,438	13,501,864	113,799,532	105,228,458
Expenses						
General government	7,907,474	6,485,472	-	-	7,907,474	6,485,472
Public safety	13,424,934	14,132,144	-	-	13,424,934	14,132,144
Education	66,866,125	61,266,138	-	-	66,866,125	61,266,138
Public works	6,126,499	7,464,403	-	-	6,126,499	7,464,403
Health and human services	3,906,138	4,172,218	-	-	3,906,138	4,172,218
Culture and recreation	3,177,637	3,778,165	-	-	3,177,637	3,778,165
Interest on long-term debt	1,445,151	1,474,343	-	-	1,445,151	1,474,343
Sewer services	-	-	8,126,886	8,354,388	8,126,886	8,354,388
Water services	-	-	6,109,518	5,902,456	6,109,518	5,902,456
Nonmajor services	-	-	441,632	525,160	441,632	525,160
Total Expenses	102,853,958	98,772,883	14,678,036	14,782,004	117,531,994	113,554,887
Change in net position before transfers	(3,783,864)	(7,046,289)	51,402	(1,280,140)	(3,732,462)	(8,326,429)
Transfers in (out)	523,272	21,000	(523,272)	(21,000)	-	-
Change in net position	(3,260,592)	(7,025,289)	(471,870)	(1,301,140)	(3,732,462)	(8,326,429)
Net position - beginning of year, as restated	660,226	7,406,739	46,901,383	48,202,523	47,561,609	55,609,262
Net position - end of year	\$ (2,600,366)	\$ 381,450	\$ 46,429,513	\$ 46,901,383	\$ 43,829,147	\$ 47,282,833

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(3,260,592). Key elements of this change are as follows:

Increase in net OPEB liability and related deferrals	\$ (5,358,471)
Decrease in net pension liability and related deferrals	732,642
Decrease in tax refunds payable liability	420,699
Other	<u>944,538</u>
Total	<u>\$ (3,260,592)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(471,870). Key elements of this change are as follows:

	<u>Revenues and Transfers In</u>	<u>Expenses and Transfers Out</u>	<u>Change in Net Position</u>
Sewer Fund	\$ 8,099,358	\$ 8,653,838	\$ (554,480)
Water Fund	5,962,906	6,135,052	(172,146)
Nonmajor Funds	<u>696,388</u>	<u>441,632</u>	<u>254,756</u>
Net	<u>\$ 14,758,652</u>	<u>\$ 15,230,522</u>	<u>\$ (471,870)</u>

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

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,983,496, while total fund balance was \$9,162,840. As a measure of the General Fund's liquidity, it may be useful to compare both

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

<u>General Fund</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 7,983,496	\$ 8,269,361	\$ (285,865)	10.89%
Total fund balance	9,162,840	9,714,456	(551,616)	12.50%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$4,142,447.

The total fund balance of the General Fund changed by \$(551,616) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (2,120,956)
Revenues in excess of budget	610,649
Expenditures less than budget	1,093,075
Transfers in less than budget	(136,128)
Expenditures of prior year encumbrances greater than current year encumbrances	(365,556)
Change in stabilization activity	<u>367,300</u>
Total	\$ <u>(551,616)</u>

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

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	Fund Balance Classification
General stabilization	\$ 3,493,544	\$ 3,230,169	\$ 263,375	Unassigned
Other stabilization	<u>783,744</u>	<u>679,819</u>	<u>103,925</u>	Committed
Total	\$ <u>4,277,288</u>	\$ <u>3,909,988</u>	\$ <u>367,300</u>	

Capital Projects Fund

At the end of the current fiscal year, total fund balance of the Capital Projects Fund was \$2,941,875, a change of \$2,632,288, primarily resulting from the issuance of bond proceeds and transfers to fund various capital projects.

Nonmajor Governmental Funds

At the end of the current fiscal year, total fund balance of the Nonmajor Governmental Funds was \$17,349,374, a change of \$1,830,424, primarily resulting from timing differences between the receipt and disbursement of grants and favorable returns on permanent fund investments.

Proprietary Funds

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

Sewer Fund

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$3,603,790, a change of \$1,310,998 in comparison to the prior year. This change is primarily attributable to favorable budgetary results in the sewer operating fund during fiscal year 2021.

Water Fund

Unrestricted net position of the Water Fund at the end of the year amounted to \$1,437,024, a change of \$118,230 in comparison to the prior year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$2,961,109. The reasons for these amendments include:

Prior year carryforwards (encumbrances)	\$ 761,156
Capital outlay	1,371,685
Stabilization funding	375,000
Fire department overtime	110,000
OPEB Trust funding	100,000
Assessor revaluations	99,010
Snow and ice	65,261
Other departmental appropriations	<u>78,997</u>
Total	<u>\$ 2,961,109</u>

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

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$223,698,016 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and improvements, infrastructure, and machinery and equipment.

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

- \$2,037,164 – Rail trail project phase two
- \$668,357 – Various sidewalk improvements
- \$514,107 – Roof replacements of municipal buildings
- \$163,499 – Fuller field renovations

Additional information on capital assets can be found in Note 9 of the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$95,224,188, all of which was backed by the full faith and credit of the City.

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

Additional information on long-term debt can be found in Note 16 of the Notes to Financial Statements.

Requests for Information

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

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 29,720,679	\$ 7,632,483	\$ 37,353,162
Investments	4,143,308	1,789,268	5,932,576
Receivables, net of allowance for uncollectibles:			
Property taxes	1,300,810	-	1,300,810
Excises	355,124	-	355,124
User fees	-	3,588,359	3,588,359
Betterments	-	352,844	352,844
Intergovernmental	980,868	-	980,868
Departmental	165,803	-	165,803
Loans	20,000	-	20,000
Other	<u>-</u>	<u>38,808</u>	<u>38,808</u>
Total Current Assets	36,686,592	13,401,762	50,088,354
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	592,369	-	592,369
Loans	280,000	-	280,000
Betterments	-	3,450,091	3,450,091
Capital assets, depreciable, net	126,301,752	83,888,696	210,190,448
Capital assets, non-depreciable	<u>12,246,201</u>	<u>1,261,367</u>	<u>13,507,568</u>
Total Noncurrent Assets	<u>139,420,322</u>	<u>88,600,154</u>	<u>228,020,476</u>
Total Assets	176,106,914	102,001,916	278,108,830
Deferred Outflows of Resources			
Related to pensions	4,839,811	719,099	5,558,910
Related to OPEB	<u>11,450,841</u>	<u>462,213</u>	<u>11,913,054</u>
Total Deferred Outflows of Resources	16,290,652	1,181,312	17,471,964
Liabilities			
Current:			
Warrants and accounts payable	1,040,470	283,288	1,323,758
Accrued liabilities	4,291,959	487,297	4,779,256
Tax refunds payable	146,123	-	146,123
Unearned revenue	957,142	-	957,142
Other	437,097	2,178	439,275
Current portion of long-term liabilities:			
Bonds payable	2,807,076	3,683,784	6,490,860
Compensated absences	<u>1,011,327</u>	<u>41,642</u>	<u>1,052,969</u>
Total Current Liabilities	10,691,194	4,498,189	15,189,383
Noncurrent:			
Bonds payable, net of current portion	46,156,208	42,577,120	88,733,328
Compensated absences, net of current portion	4,045,310	166,569	4,211,879
Net pension liability	32,824,004	4,876,996	37,701,000
Net OPEB liability	<u>91,911,260</u>	<u>3,709,995</u>	<u>95,621,255</u>
Total Noncurrent Liabilities	<u>174,936,782</u>	<u>51,330,680</u>	<u>226,267,462</u>
Total Liabilities	185,627,976	55,828,869	241,456,845
Deferred Inflows of Resources			
Related to pensions	5,123,387	761,233	5,884,620
Related to OPEB	4,053,319	163,613	4,216,932
Property taxes collected in advance	<u>193,250</u>	<u>-</u>	<u>193,250</u>
Total Deferred Inflows of Resources	9,369,956	924,846	10,294,802
Net Position			
Net investment in capital assets	90,593,459	38,889,159	129,482,618
Restricted for:			
Capital projects	-	1,789,268	1,789,268
Grants and other statutory restrictions	15,323,890	-	15,323,890
Permanent funds:			
Nonexpendable	1,686,756	-	1,686,756
Expendable	1,608,078	-	1,608,078
Unrestricted	<u>(111,812,549)</u>	<u>5,751,086</u>	<u>(106,061,463)</u>
Total Net Position	\$ <u>(2,600,366)</u>	\$ <u>46,429,513</u>	\$ <u>43,829,147</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

			<u>Program Revenues</u>		<u>Net (Expenses)</u>
			Operating	Capital	Revenues
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<u>Grants and</u>	
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	
Governmental Activities					
General government	\$ 7,907,474	\$ 1,237,468	\$ 2,323,752	\$ 300,000	\$ (4,346,254)
Public safety	13,424,934	2,770,412	183,644	-	(10,470,878)
Education	66,866,125	1,060,629	17,799,383	-	(48,006,113)
Public works	6,126,499	307,768	25,233	594,851	(5,793,498)
Health and human services	3,906,138	818,707	457,218	-	(2,630,213)
Culture and recreation	3,177,637	47,531	724,206	29,925	(2,405,900)
Interest on long-term debt	<u>1,445,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,445,151)</u>
Total Governmental Activities	102,853,958	6,242,515	21,513,436	924,776	(75,098,007)
Business-Type Activities					
Sewer services	8,126,886	7,712,983	110,505	217,432	(303,398)
Water services	6,109,518	5,791,999	101,146	40,547	(216,373)
Nonmajor services	<u>441,632</u>	<u>696,388</u>	<u>-</u>	<u>-</u>	<u>254,756</u>
Total Business-Type Activities	<u>14,678,036</u>	<u>14,201,370</u>	<u>211,651</u>	<u>257,979</u>	<u>(265,015)</u>
Total	\$ <u>117,531,994</u>	\$ <u>20,443,885</u>	\$ <u>21,725,087</u>	\$ <u>1,182,755</u>	(75,363,022)

(continued)

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (75,098,007)	\$ (265,015)	\$ (75,363,022)
General Revenues and Transfers			
Property taxes	62,130,467	-	62,130,467
Excises	3,749,239	-	3,749,239
Interest, penalties, and other taxes	368,847	-	368,847
Grants and contributions not restricted to specific programs	2,849,818	-	2,849,818
Investment income	667,634	29,353	696,987
Other	623,362	29,085	652,447
Transfers, net	<u>523,272</u>	<u>(523,272)</u>	<u>-</u>
Total General Revenues and Transfers	<u>70,912,639</u>	<u>(464,834)</u>	<u>70,447,805</u>
Change in Net Position	(3,260,592)	(471,870)	(3,732,462)
Net Position			
Beginning of year, as restated	<u>660,226</u>	<u>46,901,383</u>	<u>47,561,609</u>
End of year	\$ <u><u>(2,600,366)</u></u>	\$ <u><u>46,429,513</u></u>	\$ <u><u>43,829,147</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	<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	\$ 11,570,059	\$ 3,205,295	\$ 14,945,325	\$ 29,720,679
Investments	955,588	-	3,187,720	4,143,308
Receivables:				
Property taxes	2,252,962	-	22,793	2,275,755
Excises	855,498	-	-	855,498
Intergovernmental	-	-	980,868	980,868
Departmental	53,680	-	112,123	165,803
Loans	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Assets	\$ <u>15,707,787</u>	\$ <u>3,205,295</u>	\$ <u>19,248,829</u>	\$ <u>38,161,911</u>
Liabilities				
Warrants and accounts payable	\$ 417,662	\$ 263,420	\$ 359,388	\$ 1,040,470
Accrued liabilities	3,279,645	-	444,783	3,724,428
Tax refunds payable	104,010	-	-	104,010
Unearned revenue	-	-	957,142	957,142
Other liabilities	<u>433,873</u>	<u>-</u>	<u>3,224</u>	<u>437,097</u>
Total Liabilities	4,235,190	263,420	1,764,537	6,263,147
Deferred Inflows of Resources				
Unavailable revenues	2,116,507	-	134,918	2,251,425
Property taxes collected in advance	<u>193,250</u>	<u>-</u>	<u>-</u>	<u>193,250</u>
Total Deferred Inflows of Resources	2,309,757	-	134,918	2,444,675
Fund Balances				
Nonspendable	-	-	1,686,756	1,686,756
Restricted	-	1,097,421	16,106,103	17,203,524
Committed	783,744	2,662,951	-	3,446,695
Assigned	395,600	-	-	395,600
Unassigned	<u>7,983,496</u>	<u>(818,497)</u>	<u>(443,485)</u>	<u>6,721,514</u>
Total Fund Balances	<u>9,162,840</u>	<u>2,941,875</u>	<u>17,349,374</u>	<u>29,454,089</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>15,707,787</u>	\$ <u>3,205,295</u>	\$ <u>19,248,829</u>	\$ <u>38,161,911</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, 2021

Total governmental fund balances	\$ 29,454,089
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	138,547,953
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.	280,000
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	4,839,811
Related to OPEB	11,450,841
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,326,362
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(48,963,284)
Compensated absences	(5,056,637)
Net pension liability	(32,824,004)
Net OPEB liability	(91,911,260)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pensions	(5,123,387)
Related to OPEB	(4,053,319)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	<u>(567,531)</u>
Net position of governmental activities	<u><u>\$ (2,600,366)</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 60,918,290	\$ -	\$ 996,124	\$ 61,914,414
Excises	3,686,108	-	-	3,686,108
Interest, penalties, and other taxes	359,651	-	9,196	368,847
Charges for services	213,856	-	5,038,150	5,252,006
Licenses and permits	945,583	-	-	945,583
Intergovernmental	11,709,732	632,706	7,239,572	19,582,010
Investment income	115,976	-	551,658	667,634
Fines and forfeitures	4,898	-	-	4,898
Contributions	-	38,213	408,487	446,700
Other	<u>217,188</u>	<u>-</u>	<u>373,036</u>	<u>590,224</u>
Total Revenues	78,171,282	670,919	14,616,223	93,458,424
Expenditures				
Current:				
General government	3,248,207	52,275	3,739,824	7,040,306
Public safety	8,641,617	61,012	1,422,659	10,125,288
Education	36,887,362	42,702	4,970,746	41,900,810
Public works	3,735,919	1,195,396	757,083	5,688,398
Health & human services	2,663,569	-	811,837	3,475,406
Culture and recreation	1,756,115	2,043,974	126,092	3,926,181
Employee benefits	14,318,814	-	-	14,318,814
Debt service:				
Principal	2,131,500	-	275,000	2,406,500
Interest	1,404,290	-	249,020	1,653,310
Intergovernmental	<u>2,674,700</u>	<u>-</u>	<u>-</u>	<u>2,674,700</u>
Total Expenditures	<u>77,462,093</u>	<u>3,395,359</u>	<u>12,352,261</u>	<u>93,209,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	709,189	(2,724,440)	2,263,962	248,711
Other Financing Sources (Uses):				
Issuance of bonds	45,000	2,800,000	-	2,845,000
Premiums on issuance of bonds	-	294,113	-	294,113
Transfers in	80,981	2,387,024	124,409	2,592,414
Transfers out	<u>(1,386,786)</u>	<u>(124,409)</u>	<u>(557,947)</u>	<u>(2,069,142)</u>
Total Other Financing Sources (Uses)	<u>(1,260,805)</u>	<u>5,356,728</u>	<u>(433,538)</u>	<u>3,662,385</u>
Change in Fund Balance	(551,616)	2,632,288	1,830,424	3,911,096
Fund Balances, at Beginning of Year, as restated	<u>9,714,456</u>	<u>309,587</u>	<u>15,518,950</u>	<u>25,542,993</u>
Fund Balances, at End of Year	\$ <u>9,162,840</u>	\$ <u>2,941,875</u>	\$ <u>17,349,374</u>	\$ <u>29,454,089</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, 2021

Net Changes in Fund Balances - Total Governmental Funds \$ 3,911,096

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	4,716,862
Depreciation	(6,969,681)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of general obligation bonds and direct placements	(2,845,000)
Premiums received on issuance of general obligation bonds	(294,113)
Repayments of general obligation and refunding bonds	2,406,500
Repayments of capital lease obligations	119,856

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of the change in allowance for doubtful accounts. (68,349)

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest. 24,948

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	(240,792)
Change in net pension liability and related deferrals	732,642
Change in net OPEB liability and related deferrals	(5,358,471)
Bond premium amortization	183,211
Change in tax refunds payable	420,699

Change in Net Position of Governmental Activities \$ (3,260,592)

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Fund	Total
Assets				
Current:				
Cash and short-term investments	\$ 3,036,840	\$ 3,750,214	\$ 845,429	\$ 7,632,483
Investments	1,789,268	-	-	1,789,268
Receivables, net of allowance for uncollectibles:				
User fee receivables	2,004,940	1,583,419	-	3,588,359
Betterment receivables	204,187	148,657	-	352,844
Other	<u>1,827</u>	<u>-</u>	<u>36,981</u>	<u>38,808</u>
Total Current Assets	7,037,062	5,482,290	882,410	13,401,762
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterment receivables	2,710,004	740,087	-	3,450,091
Capital assets, depreciable, net	45,746,498	36,527,790	1,614,408	83,888,696
Capital assets, non-depreciable	<u>268,808</u>	<u>822,559</u>	<u>170,000</u>	<u>1,261,367</u>
Total Noncurrent Assets	<u>48,725,310</u>	<u>38,090,436</u>	<u>1,784,408</u>	<u>88,600,154</u>
Total Assets	55,762,372	43,572,726	2,666,818	102,001,916
Deferred Outflows of Resources				
Related to pensions	325,665	370,447	22,987	719,099
Related to OPEB	<u>216,124</u>	<u>246,089</u>	<u>-</u>	<u>462,213</u>
Total Deferred Outflows of Resources	541,789	616,536	22,987	1,181,312
Liabilities				
Current:				
Warrants and accounts payable	161,242	107,158	14,888	283,288
Accrued liabilities	315,305	171,992	-	487,297
Other	-	2,178	-	2,178
Current portion of long-term liabilities:				
Bonds payable	2,150,404	1,478,380	55,000	3,683,784
Compensated absences	<u>10,915</u>	<u>30,727</u>	<u>-</u>	<u>41,642</u>
Total Current Liabilities	2,637,866	1,790,435	69,888	4,498,189
Noncurrent:				
Bonds payable, net of current portion	29,708,239	12,033,881	835,000	42,577,120
Compensated absences, net of current portion	43,659	122,910	-	166,569
Net pension liability	2,208,687	2,512,407	155,902	4,876,996
Net OPEB liability	<u>1,734,740</u>	<u>1,975,255</u>	<u>-</u>	<u>3,709,995</u>
Total Noncurrent Liabilities	<u>33,695,325</u>	<u>16,644,453</u>	<u>990,902</u>	<u>51,330,680</u>
Total Liabilities	36,333,191	18,434,888	1,060,790	55,828,869
Deferred Inflows of Resources				
Related to pensions	344,746	392,152	24,335	761,233
Related to OPEB	<u>76,503</u>	<u>87,110</u>	<u>-</u>	<u>163,613</u>
Total Deferred Inflows of Resources	421,249	479,262	24,335	924,846
Net Position				
Net investment in capital assets	14,156,663	23,838,088	894,408	38,889,159
Restricted for capital projects	1,789,268	-	-	1,789,268
Unrestricted	<u>3,603,790</u>	<u>1,437,024</u>	<u>710,272</u>	<u>5,751,086</u>
Total Net Position	\$ <u>19,549,721</u>	\$ <u>25,275,112</u>	\$ <u>1,604,680</u>	\$ <u>46,429,513</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2021

	<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	\$ 7,712,983	\$ 5,791,999	\$ 696,388	\$ 14,201,370
Other	<u>29,085</u>	<u>-</u>	<u>-</u>	<u>29,085</u>
Total Operating Revenues	7,742,068	5,791,999	696,388	14,230,455
Operating Expenses				
Salaries and wages	1,870,908	2,319,313	245,655	4,435,876
Other operating expenses	1,572,093	1,258,436	67,985	2,898,514
Depreciation	<u>3,849,839</u>	<u>2,191,140</u>	<u>103,719</u>	<u>6,144,698</u>
Total Operating Expenses	<u>7,292,840</u>	<u>5,768,889</u>	<u>417,359</u>	<u>13,479,088</u>
Operating Income	449,228	23,110	279,029	751,367
Nonoperating Revenues (Expenses)				
Intergovernmental	110,505	101,146	-	211,651
Investment income	29,353	-	-	29,353
Interest expense	<u>(834,046)</u>	<u>(340,629)</u>	<u>(24,273)</u>	<u>(1,198,948)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(694,188)</u>	<u>(239,483)</u>	<u>(24,273)</u>	<u>(957,944)</u>
Income (Loss) before capital contributions and transfers	(244,960)	(216,373)	254,756	(206,577)
Capital Contributions and Transfers				
Betterments	217,432	40,547	-	257,979
Transfers in	-	29,214	-	29,214
Transfers out	<u>(526,952)</u>	<u>(25,534)</u>	<u>-</u>	<u>(552,486)</u>
Change in Net Position	(554,480)	(172,146)	254,756	(471,870)
Net Position at Beginning of Year	<u>20,104,201</u>	<u>25,447,258</u>	<u>1,349,924</u>	<u>46,901,383</u>
Net Position at End of Year	\$ <u><u>19,549,721</u></u>	\$ <u><u>25,275,112</u></u>	\$ <u><u>1,604,680</u></u>	\$ <u><u>46,429,513</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, 2021

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 7,639,894	\$ 5,624,189	\$ 697,545	\$ 13,961,628
Payments to employees	(2,245,869)	(2,114,665)	(263,464)	(4,623,998)
Payments to vendors	<u>(1,604,180)</u>	<u>(1,383,714)</u>	<u>(73,475)</u>	<u>(3,061,369)</u>
Net Cash Provided By Operating Activities	3,789,845	2,125,810	360,606	6,276,261
Cash Flows From Noncapital Financing Activities				
Transfers in	-	29,214	-	29,214
Transfers out	<u>-</u>	<u>(25,534)</u>	<u>-</u>	<u>(25,534)</u>
Net Cash Provided By Noncapital Financing Activities	-	3,680	-	3,680
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(152,765)	(306,371)	(55,577)	(514,713)
Betterments	333,087	176,708	-	509,795
Principal payments on bonds	(2,183,686)	(1,578,612)	(55,000)	(3,817,298)
Principal payments on capital lease obligations	(45,777)	-	-	(45,777)
Interest expense	(945,896)	(377,191)	(24,273)	(1,347,360)
Intergovernmental (debt subsidy)	110,505	101,146	-	211,651
Transfers out	<u>(526,952)</u>	<u>-</u>	<u>-</u>	<u>(526,952)</u>
Net Cash (Used For) Capital and Related Financing Activities	(3,411,484)	(1,984,320)	(134,850)	(5,530,654)
Cash Flows From Investing Activities				
Sale of investments	20,647	-	-	20,647
Investment income	<u>29,353</u>	<u>-</u>	<u>-</u>	<u>29,353</u>
Net Cash Provided By Investing Activities	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net Change in Cash and Short-Term Investments	428,361	145,170	225,756	799,287
Cash and Short-Term Investments, Beginning of Year	<u>2,608,479</u>	<u>3,605,044</u>	<u>619,673</u>	<u>6,833,196</u>
Cash and Short-Term Investments, End of Year	\$ <u>3,036,840</u>	\$ <u>3,750,214</u>	\$ <u>845,429</u>	\$ <u>7,632,483</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	\$ 449,228	\$ 23,110	\$ 279,029	\$ 751,367
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,849,839	2,191,140	103,719	6,144,698
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(102,174)	(167,810)	1,157	(268,827)
Deferred outflows - related to pensions	(260,035)	(311,490)	(18,651)	(590,176)
Deferred outflows - related to OPEB	13,175	16,100	-	29,275
Warrants and accounts payable	(32,087)	(125,278)	(5,490)	(162,855)
Accrued liabilities	21,865	25,370	-	47,235
Compensated absences	2,599	7,316	-	9,915
Net pension liability	(270,423)	285,394	(7,883)	7,088
Net OPEB liability	46,683	45,070	-	91,753
Deferred inflows - related to pensions	108,487	179,918	8,725	297,130
Deferred inflows - related to OPEB	<u>(37,312)</u>	<u>(43,030)</u>	<u>-</u>	<u>(80,342)</u>
Net Cash Provided By Operating Activities	\$ <u>3,789,845</u>	\$ <u>2,125,810</u>	\$ <u>360,606</u>	\$ <u>6,276,261</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, 2021

(Except for Pension Trust Fund, which is as of December 31, 2020)

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>
Assets		
Cash and short-term investments	\$ 774,887	\$ 200,000
Investments:		
External investment pools	104,474,708	-
Accounts receivable	<u>6,966</u>	<u>-</u>
Total Assets	105,256,561	200,000
Liabilities		
Warrants payable	<u>1,278</u>	<u>-</u>
Total Liabilities	1,278	-
Net Position		
Restricted for:		
Pensions	104,234,373	-
OPEB	1,020,910	-
Other purposes	<u>-</u>	<u>200,000</u>
Total Net Position	\$ <u><u>105,255,283</u></u>	\$ <u><u>200,000</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021
(Except for Pension Trust Fund, which is as of December 31, 2020)

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Employers	\$ 8,651,351	\$ -
Plan members	2,275,283	-
Other systems and Commonwealth of Massachusetts	341,830	-
Other	<u>5,332</u>	<u>150,000</u>
Total contributions	11,273,796	150,000
Investment Income:		
Increase in fair value of investments	11,898,978	-
Less: management fees	<u>(450,850)</u>	<u>-</u>
Net investment income	<u>11,448,128</u>	<u>-</u>
Total Additions	22,721,924	150,000
Deductions		
Benefit payments to plan members and beneficiaries	11,025,561	-
Payments to individuals	-	100,000
Refunds to plan members	109,804	-
Transfers to other systems	89,510	-
Administrative expenses	<u>297,763</u>	<u>-</u>
Total Deductions	<u>11,522,638</u>	<u>100,000</u>
Net increase	11,199,286	50,000
Net Position Restricted for Pensions, OPEB, and Other Purposes		
Beginning of year	<u>94,055,997</u>	<u>150,000</u>
End of year	\$ <u><u>105,255,283</u></u>	\$ <u><u>200,000</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the City and applicable component units for which the City is considered to be financially accountable. The criteria provided in Governmental Accounting Standards Board Codification section 2100 have been considered and as a result, the component unit discussed below is included in the City's reporting entity because of its operational significance and financial relationship with the City.

Fiduciary Component Unit

The Newburyport Contributory Retirement System (the System) was established to provide retirement benefits primarily to City employees, Newburyport Housing Authority employees, and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a part of the pension and OPEB trust funds in the fiduciary fund financial statements. Additional financial information included in the System's audited financial statements can be obtained by contacting the System located at 16 Unicorn Street, Newburyport, Massachusetts 01950.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

- The *Capital Projects Fund* is used to account for resources to be used on major construction projects and acquisition of land and equipment. The principal revenue sources are long-term bond proceeds, federal/state grants, and the use of unassigned fund balance in the General Fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

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

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

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

The City reports the following fiduciary funds:

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

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits and savings accounts. 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".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The 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. Investments measured at the NAV for fair value are not subject to level classification.

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

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

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of approximately \$872,029.

Capital Assets

Capital assets, which include buildings and improvements, infrastructure, machinery and equipment, land, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are

recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	25 - 50
Machinery and equipment	5 - 20
Vehicles	5 - 10

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows of resources and current liabilities/deferred inflows of resources. The City 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. The General Fund is the only fund that reports a positive unassigned fund balance.

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

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

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

Budgetary Information

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

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

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

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

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2021. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, intergovernmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

City (Excluding the Pension and OPEB Trust Funds)

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

Custodial Credit Risk – Deposits

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

As of June 30, 2021, of the City's bank balances of \$38,822,308, \$11,867,143 was exposed to custodial credit risk as uninsured and uncollateralized and \$13,232,817 was uninsured and collateralized with securities held by the financial institutions trust department or agent.

Investment Summary

The following is a summary of the City's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 1,187,313
Corporate equities	49,988
Equity mutual funds	1,826,160
Federal agency securities	385,889
Fixed income mutual funds	1,583,893
Market-linked certificates of deposit	429,050
U.S. Treasury notes	<u>470,283</u>
Total Investments	\$ <u><u>5,932,576</u></u>

Custodial Credit Risk - Investments

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

As of June 30, 2021, the City did not have any investments exposed to custodial credit risk as all investments were held in the City's name.

Credit Risk – Investments of Debt Securities

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

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

<u>Rating as of Year End</u>						
<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,187,313	\$ -	\$ -	\$ 733,076	\$ 454,237	\$ -
Federal agency securities	385,889	92,901	187,983	-	-	105,005
Fixed income mutual funds	1,583,893	-	-	-	-	1,583,893
Market-linked certificates of deposit	<u>429,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,050</u>
Total	\$ <u><u>3,586,145</u></u>	\$ <u><u>92,901</u></u>	\$ <u><u>187,983</u></u>	\$ <u><u>733,076</u></u>	\$ <u><u>454,237</u></u>	\$ <u><u>2,117,948</u></u>

Concentration of Credit Risk - Investments

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

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

As of June 30, 2021, the City does not have an investment in one issuer greater than 5.00% of total investments.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy related to interest rate risk is to limit maturities to a maximum of 30 years while maintaining an average portfolio maturity between 2 and 20 years.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less</u>		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 1,187,313	\$ -	\$ 1,083,951	\$ 103,362
Federal agency securities	385,889	-	385,889	-
Fixed income mutual funds	1,583,893	1,583,893	-	-
Market-linked certificates of deposit	429,050	116,149	312,901	-
U.S. Treasury notes	<u>470,283</u>	<u>210,194</u>	<u>260,089</u>	<u>-</u>
Total	<u>\$ 4,056,428</u>	<u>\$ 1,910,236</u>	<u>\$ 2,042,830</u>	<u>\$ 103,362</u>

Foreign Currency Risk - Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. While the City has a formal investment policy, it does not specifically address foreign currency risk. However, the City did not have any investments exposed to foreign currency risk as of June 30, 2021.

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 has the following fair value measurements as of June 30, 2021:

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets	Significant observable inputs
<u>Investment Type</u>	<u>Amount</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 1,187,313	\$ -	\$ 1,187,313
Corporate equities	49,988	49,988	-
Equity mutual funds	1,826,160	1,826,160	-
Federal agency securities	385,886	385,886	-
Fixed income mutual funds	1,583,893	-	1,583,893
Market-linked certificates of deposit	429,050	-	429,050
U.S. Treasury notes	<u>470,283</u>	<u>470,283</u>	<u>-</u>
Total	\$ 5,932,573	\$ 2,732,317	\$ 3,200,256

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.

4. Investments - OPEB Trust Fund

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

As of June 30, 2021, all OPEB Trust Fund investments were in the State Retirees Benefits Trust Fund (HCST OPEB Master Trust), an external investment pool managed by the Massachusetts Pension Reserves Investment Management (PRIM).

Custodial Credit Risk

As of June 30, 2021, the OPEB Trust Fund did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk – Investments of Debt Securities

As of June 30, 2021, all of the OPEB Trust Fund's investments were invested in external investment pools and unrated.

Concentration of Credit Risk

As of June 30, 2021, the OPEB Trust Fund did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

Interest Rate Risk – Investments of Debt Securities

As of June 30, 2021, all OPEB Trust Fund investments had maturities of less than one year.

Foreign Currency Risk

As of June 30, 2021, none of the OPEB Trust Fund's investments were exposed to foreign currency risk exposure.

Fair Value

As of June 30, 2021, the OPEB Trust Fund's investments were measured at the NAV, there were no unfunded commitments, and the redemption frequency was monthly with a 30 day redemption notice period.

5. Investments - Pension Trust Fund (The System)

All System investments were invested in the State Investment Pool (PRIT)* fund as of December 31, 2020.

** 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.*

Custodial Credit Risk – Investments

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

As of December 31, 2020, the System did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk – Investments of Debt Securities

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

As of December 31, 2020, all System investments were invested in external investment pools and unrated.

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, 2020, the System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

Interest Rate Risk

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

As of December 31, 2020, all System investments were invested in external investment pools with maturities less than one year.

Foreign Currency Risk

The System does not have formal investment policies related to foreign currency risk. However, as of December 31, 2020, the System did not have any investments exposed to foreign currency risk.

Fair Value

As of December 31, 2020, the System's investments were measured at the NAV, there were no unfunded commitments, and the redemption frequency was monthly with a 30 day redemption notice period.

6. Property Taxes and Excises Receivables

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

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

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

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

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, 2021 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,430,784	\$ (210,880)	\$ 1,219,904	\$ -
Personal property taxes	140,458	(103,598)	36,860	-
Community preservation act	22,793	(2,279)	20,514	-
Tax liens	658,188	(65,819)	-	592,369
Deferred taxes	<u>23,532</u>	<u>-</u>	<u>23,532</u>	<u>-</u>
Total property taxes	<u>\$ 2,275,755</u>	<u>\$ (382,576)</u>	<u>\$ 1,300,810</u>	<u>\$ 592,369</u>
Motor vehicle excise	\$ 763,199	\$ (408,075)	\$ 355,124	\$ -
Boat excise	<u>92,299</u>	<u>(92,299)</u>	<u>-</u>	<u>-</u>
Total excises	<u>\$ 855,498</u>	<u>\$ (500,374)</u>	<u>\$ 355,124</u>	<u>\$ -</u>

7. 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, 2021 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer			
Usage	\$ 2,197,583	\$ (219,758)	\$ 1,977,825
Liens	37,358	(11,208)	26,150
Other fees	<u>1,931</u>	<u>(966)</u>	<u>965</u>
Subtotal sewer user fees	2,236,872	(231,932)	2,004,940
Water			
Usage	1,733,114	(173,311)	1,559,803
Liens	29,073	(8,723)	20,350
Other fees	<u>6,532</u>	<u>(3,266)</u>	<u>3,266</u>
Subtotal water user fees	<u>1,768,719</u>	<u>(185,300)</u>	<u>1,583,419</u>
Total User Fees	<u>\$ 4,005,591</u>	<u>\$ (417,232)</u>	<u>\$ 3,588,359</u>
Sewer betterments	\$ 2,914,191	\$ -	\$ 2,914,191
Water betterments	<u>888,744</u>	<u>-</u>	<u>888,744</u>
Total Betterments	<u>\$ 3,802,935</u>	<u>\$ -</u>	<u>\$ 3,802,935</u>

8. Interfund Transfers In and (Out)

The City reports interfund transfers among many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2021:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 80,981	\$ (1,386,786)
Capital projects fund	2,387,024	(124,409)
Nonmajor governmental funds:		
Paid parking fund	-	(225,000)
Waterfront parking meter fund	-	(185,000)
Other special revenue funds	124,409	(147,947)
Enterprise funds:		
Sewer fund	-	(526,952)
Water fund	<u>29,214</u>	<u>(25,534)</u>
Total	<u>\$ 2,621,628</u>	<u>\$ (2,621,628)</u>

The transfer from the General Fund to the Capital Projects Fund represents the City's practice of funding certain capital activity from general fund revenues. Additional transfers to the Capital Projects Fund are from the paid parking fund, waterfront parking meter fund, sewer fund, and other special revenue funds represent additional funding for

various capital projects. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, depreciable:				
Buildings and improvements	\$ 164,308,483	\$ 1,312,485	\$ -	\$ 165,620,968
Infrastructure	37,135,095	4,146,128	-	41,281,223
Machinery and equipment	<u>11,196,202</u>	<u>66,986</u>	<u>-</u>	<u>11,263,188</u>
Total capital assets, depreciable	212,639,780	5,525,599	-	218,165,379
Less accumulated depreciation for:				
Buildings and improvements	(51,959,527)	(4,901,977)	-	(56,861,504)
Infrastructure	(26,088,361)	(942,660)	-	(27,031,021)
Machinery and equipment	<u>(6,846,058)</u>	<u>(1,125,044)</u>	<u>-</u>	<u>(7,971,102)</u>
Total accumulated depreciation	<u>(84,893,946)</u>	<u>(6,969,681)</u>	<u>-</u>	<u>(91,863,627)</u>
Total capital assets, depreciable, net	127,745,834	(1,444,082)	-	126,301,752
Capital assets, non-depreciable:				
Land	12,136,991	-	-	12,136,991
Construction in progress	<u>917,947</u>	<u>109,210</u>	<u>(917,947)</u>	<u>109,210</u>
Total capital assets, non-depreciable	<u>13,054,938</u>	<u>109,210</u>	<u>(917,947)</u>	<u>12,246,201</u>
Governmental activities capital assets, net	<u>\$ 140,800,772</u>	<u>\$ (1,334,872)</u>	<u>\$ (917,947)</u>	<u>\$ 138,547,953</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 7,692,495	\$ 128,227	\$ -	\$ 7,820,722
Infrastructure	75,187,779	250,043	-	75,437,822
Machinery and equipment	<u>6,749,376</u>	<u>21,239</u>	<u>-</u>	<u>6,770,615</u>
Total capital assets, depreciable	89,629,650	399,509	-	90,029,159
Less accumulated depreciation for:				
Buildings and improvements	(958,004)	(376,684)	-	(1,334,688)
Infrastructure	(37,470,347)	(2,404,415)	-	(39,874,762)
Machinery and equipment	<u>(2,004,471)</u>	<u>(1,068,740)</u>	<u>-</u>	<u>(3,073,211)</u>
Total accumulated depreciation	<u>(40,432,822)</u>	<u>(3,849,839)</u>	<u>-</u>	<u>(44,282,661)</u>
Total capital assets, depreciable, net	49,196,828	(3,450,330)	-	45,746,498
Capital assets, non-depreciable:				
Land	268,808	-	-	268,808
Construction in progress	<u>246,744</u>	<u>-</u>	<u>(246,744)</u>	<u>-</u>
Total capital assets, non-depreciable	<u>515,552</u>	<u>-</u>	<u>(246,744)</u>	<u>268,808</u>
Sewer enterprise capital assets, net	<u>\$ 49,712,380</u>	<u>\$ (3,450,330)</u>	<u>\$ (246,744)</u>	<u>\$ 46,015,306</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 2,318,517	\$ 793,693	\$ -	\$ 3,112,210
Infrastructure	64,809,915	391,065	-	65,200,980
Machinery and equipment	<u>1,323,373</u>	<u>29,207</u>	<u>-</u>	<u>1,352,580</u>
Total capital assets, depreciable	68,451,805	1,213,965	-	69,665,770
Less accumulated depreciation for:				
Buildings and improvements	(876,770)	(131,199)	-	(1,007,969)
Infrastructure	(28,984,659)	(1,986,715)	-	(30,971,374)
Machinery and equipment	<u>(1,085,411)</u>	<u>(73,226)</u>	<u>-</u>	<u>(1,158,637)</u>
Total accumulated depreciation	<u>(30,946,840)</u>	<u>(2,191,140)</u>	<u>-</u>	<u>(33,137,980)</u>
Total capital assets, depreciable, net	37,504,965	(977,175)	-	36,527,790
Capital assets, non-depreciable:				
Land	822,559	-	-	822,559
Construction in progress	<u>907,594</u>	<u>-</u>	<u>(907,594)</u>	<u>-</u>
Total capital assets, non-depreciable	<u>1,730,153</u>	<u>-</u>	<u>(907,594)</u>	<u>822,559</u>
Water enterprise capital assets, net	<u>\$ 39,235,118</u>	<u>\$ (977,175)</u>	<u>\$ (907,594)</u>	<u>\$ 37,350,349</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Nonmajor Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 1,781,509	\$ -	\$ -	\$ 1,781,509
Machinery and equipment	<u>283,448</u>	<u>55,577</u>	<u>-</u>	<u>339,025</u>
Total capital assets, depreciable	2,064,957	55,577	-	2,120,534
Less accumulated depreciation for:				
Buildings and improvements	(207,728)	(71,628)	-	(279,356)
Machinery and equipment	<u>(194,679)</u>	<u>(32,091)</u>	<u>-</u>	<u>(226,770)</u>
Total accumulated depreciation	<u>(402,407)</u>	<u>(103,719)</u>	<u>-</u>	<u>(506,126)</u>
Total capital assets, depreciable, net	1,662,550	(48,142)	-	1,614,408
Capital assets, non-depreciable:				
Land	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Total capital assets, non-depreciable	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Nonmajor enterprise capital assets, net	<u>\$ 1,832,550</u>	<u>\$ (48,142)</u>	<u>\$ -</u>	<u>\$ 1,784,408</u>

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

Governmental Activities	
General government	\$ 499,500
Public safety	530,165
Education	3,107,335
Public works	1,660,883
Health and human services	275,980
Culture and recreation	<u>895,818</u>
Total	<u>\$ 6,969,681</u>

Business-Type Activities	
Sewer	\$ 3,849,839
Water	2,191,140
Harbormaster	<u>103,719</u>
Total	\$ <u><u>6,144,698</u></u>

10. Deferred Outflows of Resources

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

11. Warrants and Accounts Payable

Warrants and accounts payable represent fiscal year 2021 expenditures paid in fiscal year 2022.

12. Accrued Liabilities

Accrued liabilities represent accrued interest and wages incurred in fiscal year 2021 that were paid in fiscal year 2022.

13. Tax Refunds Payable

Tax refunds payable represent potential amounts owed to taxpayers and pending appellate tax board rulings at the end of fiscal year 2021.

14. Notes Payable

The following summarizes activity in notes payable for the year ended June 30, 2021:

<u>Governmental Activities</u>	<u>Interest Rate(s) %</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>
Roof replacement projects	2.00	05/28/20	05/27/21	\$ 1,040,000	\$ -	\$ (1,040,000)	\$ -
Pumper truck and aerial ladder truck	2.00	05/28/20	05/27/21	<u>1,530,000</u>	<u>-</u>	<u>(1,530,000)</u>	<u>-</u>
Total				\$ <u><u>2,570,000</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(2,570,000)</u></u>	\$ <u><u>-</u></u>

15. Capital Lease Obligations

The City is the lessee of certain vehicles under capital leases that expired during fiscal year 2021. The following is an analysis for the leased assets included in capital assets at June 30, 2021:

	Governmental Activities	Business-Type Activities
Machinery, vehicles, and equipment	\$ 137,438	\$ 359,852
Less: accumulated depreciation	<u>(68,719)</u>	<u>(179,926)</u>
Equipment under capital leases, net	<u>\$ 68,719</u>	<u>\$ 179,926</u>

16. Long-Term Liabilities

General Obligation Bonds, State Revolving Loans, and Direct Placements

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

<u>Governmental Activities</u>	Interest Rate(s) %	Serial Maturities Through	Amount Outstanding as of 6/30/21
Public Offerings:			
General Obligation Bonds - 2013	2.50 - 5.00	2033	\$ 23,512,700
General Obligation Bonds - 2014	2.125 - 5.00	2035	7,150,000
General Obligation Bonds - 2015	2.00 - 2.50	2036	6,055,000
General Obligation Bonds - 2016	2.00 - 3.50	2037	975,000
General Obligation Bonds - 2018	3.00 - 5.00	2043	5,415,000
General Obligation Bonds - 2019	2.50 - 5.00	2044	885,000
General Obligation Bonds - 2021	2.00 - 5.00	2046	<u>2,800,000</u>
Total Public Offerings			46,792,700
Loans - Direct Placements:			
Newburyport Bank	1.44	2024	<u>45,000</u>
Total Governmental Activities			<u>\$ 46,837,700</u>

<u>Sewer Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/21</u>
Public Offerings:			
General Obligation Bonds - 2010	2.00 - 4.00	2028	\$ 1,960,000
General Obligation Bonds - 2013	2.50 - 5.00	2033	503,800
General Obligation Bonds - 2016	2.00 - 3.50	2037	2,295,000
General Obligation Refunding Bonds - 2016	2.00 - 4.00	2025	565,000
General Obligation Bonds - 2017	3.00 - 5.00	2042	6,550,000
General Obligation Bonds - 2019	2.50 - 5.00	2044	<u>1,420,000</u>
Total Public Offerings			13,293,800
Loans - Direct Borrowings:			
Massachusetts Clean Water Trust - 2006	2.00 - 5.00	2037	3,442,086
Massachusetts Clean Water Trust - 2010	2.00	2031	2,268,278
Massachusetts Clean Water Trust - 2012	2.00	2033	3,974,384
Massachusetts Clean Water Trust - 2013	2.00	2033	<u>8,715,325</u>
Total Loans - Direct Borrowings			<u>18,400,073</u>
Total Sewer Enterprise			<u>\$ 31,693,873</u>
<u>Water Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/21</u>
Public Offerings:			
General Obligation Bonds - 2013	2.50 - 5.00	2033	\$ 658,500
General Obligation Bonds - 2014	3.00 - 5.00	2025	630,000
General Obligation Refunding Bonds - 2016	2.00 - 4.00	2025	<u>280,000</u>
Total Public Offerings			1,568,500
Loans - Direct Borrowings:			
Massachusetts Clean Water Trust - 2006	2.00 - 5.25	2037	2,086,024
Massachusetts Clean Water Trust - 2007	0.00	2025	70,933
Massachusetts Clean Water Trust - 2012	2.00	2033	5,367,136
Massachusetts Clean Water Trust - 2013	2.00	2033	4,136,122
Massachusetts Clean Water Trust - 2015	2.00	2035	<u>220,424</u>
Total Loans - Direct Borrowings			<u>11,880,639</u>
Total Water Enterprise			<u>\$ 13,449,139</u>

<u>Nonmajor Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/21</u>
Public Offerings:			
General Obligation Bonds - 2015	2.00 - 3.00	2036	\$ 790,000
General Obligation Bonds - 2016	2.00 - 3.50	2024	65,000
General Obligation Bonds - 2017	3.00 - 5.00	2028	35,000
Total Public Offerings			<u>\$ 890,000</u>

Future Debt Service

Annual payments to retire the governmental activities general obligation and direct placement long-term debt outstanding as of June 30, 2021 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,597,100	\$ 1,605,388	\$ 15,000	\$ 635
2023	2,691,900	1,502,863	15,000	450
2024	2,816,500	1,391,619	15,000	234
2025	2,927,200	1,286,159	-	-
2026	2,975,000	1,166,435	-	-
2027 - 2031	16,120,000	4,094,740	-	-
2032 - 2036	12,425,000	1,592,909	-	-
Thereafter	4,240,000	478,782	-	-
Total	<u>\$ 46,792,700</u>	<u>\$ 13,118,895</u>	<u>\$ 45,000</u>	<u>\$ 1,319</u>

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

Annual payments to retire the business-type activities general obligation and direct borrowing long-term debt outstanding as of June 30, 2021 are as follows:

<u>Sewer</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 802,100	\$ 436,596	\$ 1,340,458	\$ 419,758
2023	807,200	406,591	1,370,146	389,403
2024	817,400	378,142	1,400,361	358,876
2025	832,100	349,482	1,431,115	327,139
2026	670,000	319,930	1,467,419	290,494
2027 - 2031	3,400,000	1,208,910	7,846,779	909,573
2032 - 2036	2,825,000	729,525	3,255,142	122,249
Thereafter	<u>3,140,000</u>	<u>364,753</u>	<u>288,653</u>	<u>76</u>
Total	\$ <u>13,293,800</u>	\$ <u>4,193,929</u>	\$ <u>18,400,073</u>	\$ <u>2,817,568</u>

<u>Water</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 310,800	\$ 57,988	\$ 1,151,799	\$ 251,400
2023	320,900	47,119	1,176,929	216,684
2024	326,100	34,929	1,207,397	180,692
2025	305,700	22,184	1,233,213	147,621
2026	35,000	12,795	807,640	132,173
2027 - 2031	190,000	33,050	4,301,294	417,195
2032 - 2036	80,000	3,600	1,973,106	48,207
Thereafter	<u>-</u>	<u>-</u>	<u>29,261</u>	<u>50</u>
Total	\$ <u>1,568,500</u>	\$ <u>211,665</u>	\$ <u>11,880,639</u>	\$ <u>1,394,022</u>

<u>Nonmajor</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 55,000	\$ 23,097	\$ -	\$ -
2023	55,000	21,897	-	-
2024	55,000	20,622	-	-
2025	55,000	19,347	-	-
2026	60,000	17,922	-	-
2027 - 2031	295,000	66,248	-	-
2032 - 2036	<u>315,000</u>	<u>23,593</u>	<u>-</u>	<u>-</u>
Total	\$ <u>890,000</u>	\$ <u>192,726</u>	\$ <u>-</u>	\$ <u>-</u>

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2021 consist of \$6,000,000 authorized on November 26, 2019 for the construction of public streets, walkways, and sidewalks.

Changes in General Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable:						
Public offerings	\$ 46,399,200	\$ 2,800,000	\$ (2,406,500)	\$ 46,792,700	\$ (2,597,100)	\$ 44,195,600
Direct placements	-	45,000	-	45,000	(15,000)	30,000
Unamortized bond premiums	2,014,682	294,113	(183,211)	2,125,584	(194,976)	1,930,608
Subtotal bonds payable	48,413,882	3,139,113	(2,589,711)	48,963,284	(2,807,076)	46,156,208
Capital lease obligations	119,856	-	(119,856)	-	-	-
Total long-term debt	48,533,738	3,139,113	(2,709,567)	48,963,284	(2,807,076)	46,156,208
Compensated absences	4,815,845	240,792	-	5,056,637	(1,011,327)	4,045,310
Net pension liability	31,661,092	1,162,912	-	32,824,004	-	32,824,004
Net OPEB liability	84,968,140	6,943,120	-	91,911,260	-	91,911,260
Total long-term liabilities	\$ 169,978,815	\$ 11,485,937	\$ (2,709,567)	\$ 178,755,185	\$ (3,818,403)	\$ 174,936,782

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Sewer Enterprise Fund						
Bonds payable:						
Public offerings	\$ 14,166,200	\$ -	\$ (872,400)	\$ 13,293,800	\$ (802,100)	\$ 12,491,700
Loans (direct borrowings)	19,711,359	-	(1,311,286)	18,400,073	(1,340,458)	17,059,615
Unamortized bond premiums	172,616	-	(7,846)	164,770	(7,846)	156,924
Subtotal bonds payable	34,050,175	-	(2,191,532)	31,858,643	(2,150,404)	29,708,239
Capital lease obligations	45,777	-	(45,777)	-	-	-
Total long-term debt	34,095,952	-	(2,237,309)	31,858,643	(2,150,404)	29,708,239
Compensated absences	51,975	2,599	-	54,574	(10,915)	43,659
Net pension liability	2,479,110	-	(270,423)	2,208,687	-	2,208,687
Net OPEB liability	1,688,057	46,683	-	1,734,740	-	1,734,740
Total long-term liabilities	\$ 38,315,094	\$ 49,282	\$ (2,507,732)	\$ 35,856,644	\$ (2,161,319)	\$ 33,695,325

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Water Enterprise Fund						
Bonds payable:						
Public offerings	\$ 2,029,600	\$ -	\$ (461,100)	\$ 1,568,500	\$ (310,800)	\$ 1,257,700
Loans (direct borrowings)	12,998,151	-	(1,117,512)	11,880,639	(1,151,799)	10,728,840
Unamortized bond premiums	78,903	-	(15,781)	63,122	(15,781)	47,341
Total long-term debt	15,106,654	-	(1,594,393)	13,512,261	(1,478,380)	12,033,881
Compensated absences	146,321	7,316	-	153,637	(30,727)	122,910
Net pension liability	2,227,013	285,394	-	2,512,407	-	2,512,407
Net OPEB liability	1,930,185	45,070	-	1,975,255	-	1,975,255
Total long-term liabilities	\$ 19,410,173	\$ 337,780	\$ (1,594,393)	\$ 18,153,560	\$ (1,509,107)	\$ 16,644,453

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Nonmajor Enterprise Fund						
Bonds payable:						
Public offerings	\$ 945,000	\$ -	\$ (55,000)	\$ 890,000	\$ (55,000)	\$ 835,000
Total long-term debt	945,000	-	(55,000)	890,000	(55,000)	835,000
Net pension liability	163,785	-	(7,883)	155,902	-	155,902
Total long-term liabilities	\$ 1,108,785	\$ -	\$ (62,883)	\$ 1,045,902	\$ (55,000)	\$ 990,902

Long-Term Liabilities Supporting Governmental and Business-Type Activities

General obligation bonds, direct placements, and direct borrowings issued by the City for various municipal projects are approved by City Council. The following governmental funds have been designated as the sources to repay the governmental activities long-term debt outstanding as of June 30, 2021:

General fund	\$ 39,280,200
Community Preservation Act fund	1,672,500
Paid Parking fund	5,885,000
Total	<u>\$ 46,837,700</u>

The sources to repay the City's business-type activities consist of user fees recorded in enterprise funds. All other long-term liabilities are repaid from the funds that the cost relates to, primarily the General Fund and enterprise funds.

17. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the City that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as a decrease to the related expense in future years and are 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. *Property taxes collected in advance*, reported in the governmental funds balance sheet and government-wide statement of net position, represent subsequent year property tax collections which are not available for use in the current year.

18. 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, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), 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, 2021:

Nonspendable

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

Restricted

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

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes special purpose stabilization accounts* set aside by City Council order for future capital acquisitions and improvements, various capital project fund articles approved by City Council, as well as reserve accounts for compensated absences. A similar action is needed to modify or rescind a commitment.

Assigned

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

Unassigned

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

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

Following is a breakdown of the City's fund balances as of June 30, 2021:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 1,686,756	\$ 1,686,756
Total Nonspendable	-	-	1,686,756	1,686,756
Restricted				
Capital project funds	-	1,097,421	-	1,097,421
Permanent funds	-	-	1,608,078	1,608,078
Community preservation	-	-	3,173,849	3,173,849
School choice	-	-	1,576,068	1,576,068
Circuit breaker (special education)	-	-	1,161,210	1,161,210
Downtown paid parking	-	-	1,010,878	1,010,878
Sale of municipal buildings	-	-	693,500	693,500
Smart growth zoning incentive	-	-	578,000	578,000
Recreation	-	-	525,687	525,687
Sewer I/I	-	-	496,247	496,247
Curriculum/staff development	-	-	459,234	459,234
Waterfront parking	-	-	437,421	437,421
Affordable housing	-	-	381,669	381,669
Solid waste	-	-	260,542	260,542
School transportation	-	-	223,884	223,884
Athletic revolving	-	-	206,417	206,417
Other special revenue funds	-	-	3,313,419	3,313,419
Total Restricted	-	1,097,421	16,106,103	17,203,524
Committed				
For technology stabilization accounts	330,978	-	-	330,978
For compensated absences	201,841	-	-	201,841
For capital stabilization accounts	250,925	-	-	250,925
For capital projects	-	2,662,951	-	2,662,951
Total Committed	783,744	2,662,951	-	3,446,695
Assigned				
Encumbrances:				
General government	86,465	-	-	86,465
Public safety	3,444	-	-	3,444
Education	245,136	-	-	245,136
Public works	50,759	-	-	50,759
Health and human services	2,741	-	-	2,741
Culture and recreation	7,055	-	-	7,055
Total Assigned	395,600	-	-	395,600
Unassigned				
General fund	4,489,952	-	-	4,489,952
General stabilization account	3,493,544	-	-	3,493,544
Deficit funds	-	(818,497)	(443,485)	(1,261,982)
Total Unassigned	7,983,496	(818,497)	(443,485)	6,721,514
Total Fund Balance	\$ 9,162,840	\$ 2,941,875	\$ 17,349,374	\$ 29,454,089

19. 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.

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 2.00% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior

to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the 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 member's death.

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3.00%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The City’s contribution to the System for the year ended June 30, 2021 was \$5,241,556, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the City reported a liability of \$37,701,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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 97.29%.

For the year ended June 30, 2021, the City recognized pension expense of \$4,225,340. In addition, the City reported deferred outflows and inflows 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	\$ 2,454,000	\$ (169,000)
Changes of assumptions	3,102,000	-
Net difference between projected and actual investment earnings on pension plan investments	-	(5,626,000)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,910</u>	<u>(89,620)</u>
Total	\$ <u>5,558,910</u>	\$ <u>(5,884,620)</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:	
2022	\$ (313,778)
2023	978,316
2024	(589,989)
2025	<u>(400,259)</u>
Total	\$ <u>(325,710)</u>

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, 2020
Actuarial cost method	Entry age normal
Remaining amortization period	17 years from July 1, 2021
Actuarial assumptions:	
Investment rate of return	7.25% (previously 7.50%)
Projected salary increases	4.25% for Groups 1 and 2 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	RP-2014 Blue Collar Employees table projected generationally with scale MP-2018 (gender distinct)
Post-retirement	RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2018 (gender distinct)
Disabled retirees	RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2018 (gender distinct)

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

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equities	21.20%	6.40%
Private equities	14.00%	10.20%
International equities	11.80%	6.60%
Real estate	10.00%	6.00%
Portfolio completion (PCS)	10.00%	5.20%
Value-added fixed income	8.00%	6.20%
Core bonds	7.00%	2.70%
Emerging equities	5.00%	8.40%
TIPS/ILBs	4.00%	2.10%
Timberland	4.00%	6.60%
20+ yr. Treasury STRIPS	3.00%	1.70%
Hedged equity	1.00%	5.70%
Short-term fixed income	1.00%	2.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 53,432,000	\$ 37,701,000	\$ 24,362,000

Pension Plan Fiduciary Net Position

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

20. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth 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.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any

5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

Contributions

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally using Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally using Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equities	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

Special Funding Situation

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

City Proportions

In fiscal year 2020 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$76,118,836 based on a proportionate share of 0.266664%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$4,142,447 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of approximately \$9,401,767 as both a revenue and expense in the governmental activities.

21. Other Post-Employment Benefits

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 a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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

The following OPEB disclosures are based on a measurement date of June 30, 2021.

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, 2021, the following employees were covered by the benefit terms:

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

Investments

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

Rate of return. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 16.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

Actuarial Assumptions and Other Inputs

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

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.00%, annually and for future periods
Investment rate of return	6.77%, net of OPEB plan investment expense
Municipal bond rate	2.18%
Discount rate	4.25% (previously 3.75%)
Healthcare cost trend rates	4.50% for 2021 reducing to 3.60% in 2061 25.00% for medical insurance, 10.00% for life insurance, and 100.00% for dental insurance
Retirees' share of benefit-related costs	
Participation rate	80% of employees eligible

Mortality rates were as follows:

Pre-retirement mortality:

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

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

Post-retirement mortality:

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

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

Disabled mortality:

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

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

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

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Alternatives	23.00%	6.32%
Domestic fixed income	20.00%	1.40%
International equity - developed market	16.00%	5.32%
Domestic equity - large cap	14.50%	4.90%
Real estate	14.00%	6.25%
International equity - emerging market	6.00%	6.26%
Domestic equity - small/mid cap	3.50%	5.40%
International fixed income	3.00%	1.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.77% and municipal bond rate of 2.18% (based on S&P 20-year High Grade Index – SAPIHG) as of June 30, 2021.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 96,642,165
Plan fiduciary net position	<u>(1,020,910)</u>
Net OPEB liability	<u>\$ 95,621,255</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.06%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 89,375,286	\$ 788,904	\$ 88,586,382
Changes for the year:			
Service cost	3,141,029	-	3,141,029
Interest	3,410,587	-	3,410,587
Contributions - employer	-	3,263,792	(3,263,792)
Net investment income	-	132,006	(132,006)
Differences between expected and actual experience	(113,761)	-	(113,761)
Changes of assumptions	3,992,816	-	3,992,816
Benefit payments	<u>(3,163,792)</u>	<u>(3,163,792)</u>	<u>-</u>
Net Changes	<u>7,266,879</u>	<u>232,006</u>	<u>7,034,873</u>
Balances, end of year	<u>\$ 96,642,165</u>	<u>\$ 1,020,910</u>	<u>\$ 95,621,255</u>

Since the prior valuation, the following assumptions reflected changes from 2020 to 2021 as follows:

- Changes in assumptions and other inputs reflect a change in the discount rate from 3.75% to 4.25%.
- Adoption of the Getzen model for future projected healthcare costs.

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

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

1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
\$ 113,256,063	\$ 95,621,255	\$ 79,932,841

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

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

1% <u>Decrease</u>	Current Healthcare Cost Trend Rates <u>Rates</u>	1% <u>Increase</u>
\$ 81,790,657	\$ 95,621,255	\$ 113,202,573

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

For the year ended June 30, 2021, the City recognized an OPEB expense of \$8,662,949. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources <u>Resources</u>	Deferred (Inflows) of Resources <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (4,178,308)
Changes of assumptions	11,913,054	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	(38,624)
Total	<u>\$ 11,913,054</u>	<u>\$ (4,216,932)</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>	
2022	\$ 2,168,071
2023	2,174,448
2024	2,336,891
2025	<u>1,016,712</u>
Total	\$ <u>7,696,122</u>

22. 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, 2020)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 774,887	\$ -	\$ 774,887
Investments			
External investment pools	103,453,798	1,020,910	104,474,708
Accounts receivable	<u>6,966</u>	<u>-</u>	<u>6,966</u>
Total Assets	104,235,651	1,020,910	105,256,561
Liabilities			
Warrants and accounts payable	<u>1,278</u>	<u>-</u>	<u>1,278</u>
Total Liabilities	1,278	-	1,278
Net Position			
Restricted for pensions	104,234,373	-	104,234,373
Restricted for OPEB	<u>-</u>	<u>1,020,910</u>	<u>1,020,910</u>
Total Net Position	\$ <u>104,234,373</u>	\$ <u>1,020,910</u>	\$ <u>105,255,283</u>

	Pension Trust Fund (year ended December 31, 2020)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 5,387,559	\$ 3,263,792	\$ 8,651,351
Plan members	2,275,283	-	2,275,283
Other systems and Commonwealth of Massachusetts	341,830	-	341,830
Other	<u>5,332</u>	<u>-</u>	<u>5,332</u>
Total contributions	8,010,004	3,263,792	11,273,796
Investment Income:			
Increase in fair value of investments	11,766,972	132,006	11,898,978
Less: management fees	<u>(450,850)</u>	<u>-</u>	<u>(450,850)</u>
Net investment income	<u>11,316,122</u>	<u>132,006</u>	<u>11,448,128</u>
Total Additions	19,326,126	3,395,798	22,721,924
Deductions			
Benefit payments to plan members and beneficiaries	7,861,769	3,163,792	11,025,561
Refunds to plan members	109,804	-	109,804
Transfers to other systems	89,510	-	89,510
Administrative expenses	<u>297,763</u>	<u>-</u>	<u>297,763</u>
Total Deductions	<u>8,358,846</u>	<u>3,163,792</u>	<u>11,522,638</u>
Net increase	10,967,280	232,006	11,199,286
Net position restricted for pensions and OPEB			
Beginning of year	<u>93,267,093</u>	<u>788,904</u>	<u>94,055,997</u>
End of year	<u>\$ 104,234,373</u>	<u>\$ 1,020,910</u>	<u>\$ 105,255,283</u>

23. Change in Accounting Principle

In fiscal year 2021, the City adopted GASB Statement No. 84, *Fiduciary Activities*. This required moving certain items previously reported as fiduciary funds to governmental funds. Consequently, beginning fund balance of nonmajor governmental funds and beginning net position of governmental activities has been restated, as further discussed in Note 25.

24. Commitments and Contingencies

COVID-19

The COVID-19 pandemic in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the City, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

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

Grants

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

Abatements

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

Encumbrances

At year-end the City's General Fund has \$395,600 in encumbrances that will be honored in the next fiscal year.

25. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2020) fund balance/net position of the City has been restated as follows:

Fund basis financial statements:

	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ 15,240,174
Implementation of GASB 84	<u>278,776</u>
Total	\$ <u>15,518,950</u>

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 381,450
Implementation of GASB 84	<u>278,776</u>
As restated	\$ <u>660,226</u>

26. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the City beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management is currently evaluating the effect this standard will have on the financial statements.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information

General Fund

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

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 60,699,627	\$ 60,717,627	\$ 60,918,290	\$ 200,663
Excises	3,266,305	3,266,305	3,686,108	419,803
Interest, penalties, and other taxes	320,000	320,000	359,651	39,651
Charges for services	305,000	305,000	213,856	(91,144)
Licenses and permits	850,000	850,000	945,583	95,583
Intergovernmental	7,626,241	7,626,241	7,567,285	(58,956)
Investment income	90,000	90,000	59,692	(30,308)
Fines and forfeitures	10,000	10,000	4,898	(5,102)
Other	176,729	176,729	217,188	40,459
Total Revenues	73,343,902	73,361,902	73,972,551	610,649
Expenditures				
General government	3,426,950	3,590,091	3,334,672	255,419
Public safety	9,084,196	9,303,527	9,103,765	199,762
Education	32,792,776	33,021,471	32,990,051	31,420
Public works	3,330,431	3,880,330	3,786,678	93,652
Health and human services	2,868,096	2,872,713	2,666,310	206,403
Culture and recreation	1,772,434	1,776,175	1,763,170	13,005
Employee benefits	14,373,394	14,318,394	14,144,397	173,997
Debt service	4,095,314	4,095,314	3,924,560	170,754
Intergovernmental	2,623,363	2,623,363	2,674,700	(51,337)
Total Expenditures	74,366,954	75,481,378	74,388,303	1,093,075
Excess (deficiency) of revenues over (under) expenditures	(1,023,052)	(2,119,476)	(415,752)	1,703,724
Other Financing Sources (Uses)				
Transfers in	1,023,052	1,084,049	947,921	(136,128)
Transfers out	-	(1,846,685)	(1,846,685)	-
Use of free cash and overlay surplus for:				
Capital projects	-	1,371,685	-	(1,371,685)
Stabilization funding	-	375,000	-	(375,000)
Fire department overtime	-	110,000	-	(110,000)
OPEB funding	-	100,000	-	(100,000)
Assessor revaluations	-	99,010	-	(99,010)
Snow and ice expenditures	-	65,261	-	(65,261)
Use of prior year carryforwards (encumbrances)	-	761,156	761,156	-
Total Other Financing Sources (Uses)	1,023,052	2,119,476	(137,608)	(2,257,084)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ (553,360)	\$ (553,360)

See Independent Auditors' Report.

Notes to Required Supplementary Information for General Fund Budget

Budgetary Basis

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

Budget/GAAP Reconciliation

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP Basis	\$ 78,171,282	\$ 77,462,093	\$ (1,260,805)
To record use of prior year encumbrances as a funding source	-	-	761,156
To record current year appropriation carryforwards	-	395,600	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,142,447)	(4,142,447)	-
To reclassify budgeted expenditures to transfers	-	(145,000)	(145,000)
To reclassify budgeted transfers to expenditures	-	892,474	892,474
To reverse unbudgeted stabilization activity	<u>(56,284)</u>	<u>(74,417)</u>	<u>(385,433)</u>
Budgetary Basis	<u>\$ 73,972,551</u>	<u>\$ 74,388,303</u>	<u>\$ (137,608)</u>

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

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

Newburyport Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	December 31, 2020	97.29%	\$ 37,701,000	\$ 19,699,000	191.39%	72.90%
June 30, 2020	December 31, 2019	97.56%	36,531,000	18,349,085	199.09%	71.35%
June 30, 2019	December 31, 2018	97.59%	44,021,000	18,354,727	239.83%	64.14%
June 30, 2018	December 31, 2017	97.57%	37,233,000	18,350,966	202.89%	68.36%
June 30, 2017	December 31, 2016	97.48%	44,136,000	17,044,378	258.95%	61.08%
June 30, 2016	December 31, 2015	97.45%	36,925,000	15,154,450	243.66%	63.95%
June 30, 2015	December 31, 2014	97.59%	33,270,000	15,176,376	219.22%	66.18%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.266664%	\$ -	\$ 76,118,836	\$ 76,188,836	\$ 20,204,510	0.00%	50.67%
June 30, 2020	June 30, 2019	0.269104%	-	67,851,829	67,851,829	19,583,096	0.00%	53.95%
June 30, 2019	June 30, 2018	0.267201%	-	63,356,687	63,356,687	18,765,168	0.00%	54.84%
June 30, 2018	June 30, 2017	0.276922%	-	63,374,763	63,374,763	18,804,300	0.00%	54.25%
June 30, 2017	June 30, 2016	0.264440%	-	59,123,247	59,123,247	17,393,951	0.00%	52.73%
June 30, 2016	June 30, 2015	0.262694%	-	53,825,165	53,825,165	16,651,878	0.00%	55.38%
June 30, 2015	June 30, 2014	0.264517%	-	42,048,610	42,048,610	16,218,844	0.00%	61.64%

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

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Newburyport Contributory Retirement System

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

Massachusetts Teachers' Retirement System

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

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

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

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

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

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

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

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

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

See Independent Auditors' Report.