

**CITY OF AMESBURY, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2017**

**City of Amesbury, Massachusetts**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
<b>Proprietary Funds:</b>	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
<b>Notes to Financial Statements</b>	24

**REQUIRED SUPPLEMENTARY INFORMATION:**

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	60
Schedule of Pension Contributions (GASB 68)	61
Schedule of Changes in Net Pension Liability (GASB 67)	62
Schedules of Net Pension Liability, Contributions, and Investment Returns (GASB 67)	63

**OPEB:**

Schedule of OPEB Funding Progress (GASB 45)	64
---	----

**SUPPLEMENTARY INFORMATION:**

Schedule of Revenues, and Expenditures and Other Uses - Budget and Actual - Sewer Enterprise Fund	65
Schedule of Revenue and Expenditures and Other Uses - Budget and Actual - Water Enterprise Fund	66

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Municipal Council  
City of Amesbury, Massachusetts

**Additional Offices:**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amesbury, Massachusetts, as of and for the year ended June 30, 2017, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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

## **Opinion**

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 Amesbury, Massachusetts, as of June 30, 2017, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2016) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 60 to 64 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information appearing on pages 65 and 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018 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 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 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 City's internal control over financial reporting and compliance.

*Melanson Heath*

March 12, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Amesbury, we offer readers this narrative overview and analysis of the financial activities of the City of Amesbury for the fiscal year ended June 30, 2017.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The Statement of Activities presents information showing how the government'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, and culture and recreation. The business-type activities include sewer and water activities.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide

financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer and water operations.

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

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$26,263,942 (i.e., net position), a change of \$(1,230,467) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,956,726, a change of \$320,289 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,948,841, a change of \$(4,310) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 19,190	\$ 20,364	\$ 3,250	\$ 2,465	\$ 22,440	\$ 22,829
Capital assets	<u>64,060</u>	<u>65,824</u>	<u>40,098</u>	<u>40,925</u>	<u>104,158</u>	<u>106,749</u>
Total assets	83,250	86,188	43,348	43,390	126,598	129,578
Deferred outflows	<u>3,975</u>	<u>4,954</u>	<u>52</u>	<u>93</u>	<u>4,027</u>	<u>5,047</u>
Total assets and deferred outflows	87,225	91,142	43,400	43,483	130,625	134,625
Other liabilities	3,747	3,531	195	444	3,942	3,975
Long-term liabilities outstanding	<u>78,194</u>	<u>78,893</u>	<u>21,958</u>	<u>23,919</u>	<u>100,152</u>	<u>102,812</u>
Total liabilities	81,941	82,424	22,153	24,363	104,094	106,787
Deferred inflows	<u>265</u>	<u>338</u>	<u>3</u>	<u>6</u>	<u>268</u>	<u>344</u>
Total liabilities and deferred inflows	82,206	82,762	22,156	24,369	104,362	107,131
Net position:						
Net investment in capital assets	47,594	46,983	19,479	18,248	67,073	65,231
Restricted	5,910	5,798	-	-	5,910	5,798
Unrestricted	<u>(48,485)</u>	<u>(44,401)</u>	<u>1,765</u>	<u>866</u>	<u>(46,720)</u>	<u>(43,535)</u>
Total net position	\$ <u>5,019</u>	\$ <u>8,380</u>	\$ <u>21,244</u>	\$ <u>19,114</u>	\$ <u>26,263</u>	\$ <u>27,494</u>

**CHANGES IN NET POSITION**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,380	\$ 3,414	\$ 7,530	\$ 7,485	\$ 10,910	\$ 10,899
Operating grants and contributions	19,517	18,037	-	-	19,517	18,037
Capital grants and contributions	-	1,716	-	-	-	1,716
General revenues:						
Property taxes	38,974	38,626	-	-	38,974	38,626
Excises	2,474	2,508	-	-	2,474	2,508
Penalties, interest and other taxes	290	236	-	-	290	236
Grants and contributions not restricted to specific programs	2,342	2,337	-	-	2,342	2,337
Investment income	22	36	-	-	22	36
Miscellaneous	725	662	-	-	725	662
Total revenues	<u>67,724</u>	<u>67,572</u>	<u>7,530</u>	<u>7,485</u>	<u>75,254</u>	<u>75,057</u>
Expenses:						
General government	4,648	3,015	-	-	4,648	3,015
Public safety	8,357	7,784	-	-	8,357	7,784
Education	34,748	37,124	-	-	34,748	37,124
Public works	3,677	2,936	-	-	3,677	2,936
Health and human services	1,348	1,160	-	-	1,348	1,160
Culture and recreation	1,130	1,145	-	-	1,130	1,145
Intergovernmental	8,799	3,723	-	-	8,799	3,723
Employee benefits	7,820	7,445	-	-	7,820	7,445
Interest on long-term debt	558	438	-	-	558	438
Sewer services	-	-	2,272	2,779	2,272	2,779
Water services	-	-	3,128	3,145	3,128	3,145
Total expenses	<u>71,085</u>	<u>64,770</u>	<u>5,400</u>	<u>5,924</u>	<u>76,485</u>	<u>70,694</u>
Change in net position	(3,361)	2,802	2,130	1,561	(1,231)	4,363
Net position - beginning of year	<u>8,380</u>	<u>5,578</u>	<u>19,114</u>	<u>17,553</u>	<u>27,494</u>	<u>23,131</u>
Net position - end of year	<u>\$ 5,019</u>	<u>\$ 8,380</u>	<u>\$ 21,244</u>	<u>\$ 19,114</u>	<u>\$ 26,263</u>	<u>\$ 27,494</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$26,263,942, a change of \$(1,230,467) from the prior year.

The largest portion of net position \$67,073,591 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 \$5,910,605 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(46,720,254), primarily resulting from the City's unfunded net pension liability and net OPEB obligation.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(3,360,714). Key elements of this change are as follows:

Increase in OPEB liability	\$ (1,541,875)
Depreciation in excess of principal debt service	(586,330)
Change in MSBA receivables	(791,297)
Increase in deferred inflows and outflows related to net pension liability	(905,580)
Other	<u>464,368</u>
Total	<u>\$ (3,360,714)</u>

**Business-type activities.** Business-type activities for the year resulted in an increase in net position of \$2,130,247. This increase primarily resulted from debt service payments in excess of depreciation, as user rates are budgeted based on principal payments and not depreciation.

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported a change of \$320,289 for a combined ending fund balance of \$12,956,726. For general fund results, see the following section. Non-major governmental funds did not have a significant change in fund balance in the current year.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,948,841, while total fund balance was \$6,002,655. As a measure of the general fund's liquidity, it may be

useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 4,948,841	\$ 4,953,151	\$ (4,310)	7.9%
Total fund balance <sup>2</sup>	\$ 6,002,655	\$ 5,841,721	\$ 160,934	9.6%

<sup>1</sup> Includes General stabilization fund.

<sup>2</sup> Includes General and Smart Growth stabilization funds.

The total fund balance of the general fund changed by \$160,934 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,161,667)
Revenues in excess of budget	772,595
Expenditures less than budget	634,263
Increase in stabilization funds	700,553
Other	215,190
<b>Total</b>	<b>\$ 160,934</b>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization (unassigned)	\$ 1,117,853	\$ 818,978	\$ 298,875
Smart growth stabilization (committed)	588,005	186,327	401,678
<b>Total</b>	<b>\$ 1,705,858</b>	<b>\$ 1,005,305</b>	<b>\$ 700,553</b>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,765,146, a change of \$898,970 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.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,661,667. Major reasons for these amendments include:

- \$ 280,000 appropriated for the purpose of funding deficit in FY17 fire department budget, funded by free cash
- \$ 300,000 appropriated to strengthen the balance of the general stabilization fund, funded by free cash
- \$ 300,000 appropriated to fund repair and maintenance of streets and sidewalks, funded by free cash
- \$ 450,000 appropriated to cover FY17 Snow and Ice expenditures, funded by free cash
- \$ 128,667 appropriated for the mitigation of cyanobacteria in Lake Attitash, funded by free cash

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$104,158,550 (net of accumulated depreciation), a net change of \$(2,590,122) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

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

EEA Riverwalk	\$ 113,316
Middle school energy bid	\$ 196,854
Various street improvements	\$ 353,460
Various vehicles and equipment	\$ 619,425

**Change in credit rating.** The City is currently assigned an “AA” rating from Standard and Poor’s for general obligation debt.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$36,423,428, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

Chief Financial Officer  
City of Amesbury  
62 Friend Street  
Amesbury, MA 01913

CITY OF AMESBURY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 14,317,748	\$ 1,393,889	\$ 15,711,637
Investments	2,236,491	-	2,236,491
Receivables, net of allowance for uncollectibles:			
Property taxes	858,418	-	858,418
Excises	318,794	-	318,794
User fees	-	1,855,729	1,855,729
Departmental and other	259,788	-	259,788
Intergovernmental	742,237	-	742,237
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	456,657	-	456,657
Capital Assets:			
Land and construction in progress	10,569,282	20,958,455	31,527,737
Other capital assets, net of accumulated depreciation	53,491,051	19,139,762	72,630,813
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>3,975,010</u>	<u>52,343</u>	<u>4,027,353</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>87,225,476</b>	<b>43,400,178</b>	<b>130,625,654</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	701,157	-	701,157
Accrued liabilities	3,035,110	194,557	3,229,667
Other liabilities	10,659	-	10,659
Current portion of long-term liabilities:			
Bonds payable	2,071,100	2,088,762	4,159,862
Capital leases	338,826	49,043	387,869
Compensated absences	54,436	9,480	63,916
Noncurrent:			
Bonds payable, net of current portion	13,833,000	18,430,566	32,263,566
Net pension liability	37,876,298	663,030	38,539,328
Net OPEB obligation	22,563,298	486,271	23,049,569
Capital leases, net of current portion	423,240	50,538	473,778
Compensated absences, net of current portion	1,034,292	180,137	1,214,429
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>264,572</u>	<u>3,340</u>	<u>267,912</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>82,205,988</b>	<b>22,155,724</b>	<b>104,361,712</b>
<b>NET POSITION</b>			
Net investment in capital assets	47,594,283	19,479,308	67,073,591
Restricted for:			
Grants and other statutory restrictions	5,160,146	-	5,160,146
Permanent funds:			
Nonexpendable	600,054	-	600,054
Expendable	150,405	-	150,405
Unrestricted (deficit)	<u>(48,485,400)</u>	<u>1,765,146</u>	<u>(46,720,254)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>5,019,488</u></b>	<b>\$ <u>21,244,454</u></b>	<b>\$ <u>26,263,942</u></b>

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

CITY OF AMESBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 4,648,019	\$ 1,418,843	\$ 1,801,718	\$ -	\$ (1,427,458)	\$ -	\$ (1,427,458)
Public safety	8,357,007	728,839	142,844	-	(7,485,324)	-	(7,485,324)
Education	34,747,910	677,760	17,217,641	-	(16,852,509)	-	(16,852,509)
Public works	3,676,983	30,340	160,853	-	(3,485,790)	-	(3,485,790)
Health and human services	1,347,671	104,864	147,035	-	(1,095,772)	-	(1,095,772)
Culture and recreation	1,129,531	419,635	47,224	-	(662,672)	-	(662,672)
Intergovernmental	8,798,967	-	-	-	(8,798,967)	-	(8,798,967)
Employee benefits	7,820,276	-	-	-	(7,820,276)	-	(7,820,276)
Interest	558,122	-	-	-	(558,122)	-	(558,122)
Total Governmental Activities	71,084,486	3,380,281	19,517,315	-	(48,186,890)	-	(48,186,890)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sewer services	2,271,595	3,112,850	-	-	-	841,255	841,255
Water services	3,127,859	4,416,851	-	-	-	1,288,992	1,288,992
Total Business-Type Activities	5,399,454	7,529,701	-	-	-	2,130,247	2,130,247
Total	\$ 76,483,940	\$ 10,909,982	\$ 19,517,315	\$ -	(48,186,890)	2,130,247	(46,056,643)
<b>GENERAL REVENUES:</b>							
Property taxes					38,973,887	-	38,973,887
Excises					2,473,835	-	2,473,835
Penalties, interest and other taxes					289,692	-	289,692
Grants and contributions not restricted to specific programs					2,341,586	-	2,341,586
Investment income					22,551	-	22,551
Miscellaneous					724,625	-	724,625
Total general revenues					44,826,176	-	44,826,176
Change in Net Position					(3,360,714)	2,130,247	(1,230,467)
<b>NET POSITION:</b>							
Beginning of year					8,380,202	19,114,207	27,494,409
End of year					\$ 5,019,488	\$ 21,244,454	\$ 26,263,942

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

CITY OF AMESBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 7,775,279	\$ 6,542,469	\$ 14,317,748
Investments	1,705,858	530,634	2,236,492
Receivables:			
Property taxes	1,624,075	-	1,624,075
Excises	487,794	-	487,794
Departmental and other	<u>-</u>	<u>313,546</u>	<u>313,546</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>11,593,006</u></b>	<b>\$ <u>7,386,649</u></b>	<b>\$ <u>18,979,655</u></b>
<b>LIABILITIES</b>			
Warrants payable	\$ 701,157	\$ 2,213	\$ 703,370
Accrued liabilities	2,766,666	116,819	2,883,485
Other liabilities	<u>10,659</u>	<u>-</u>	<u>10,659</u>
<b>TOTAL LIABILITIES</b>	<b>3,478,482</b>	<b>119,032</b>	<b>3,597,514</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	2,111,869	313,546	2,425,415
<b>FUND BALANCES</b>			
Nonspendable	-	600,054	600,054
Restricted	-	5,624,105	5,624,105
Committed	588,005	1,124,125	1,712,130
Assigned	465,809	-	465,809
Unassigned	<u>4,948,841</u>	<u>(394,213)</u>	<u>4,554,628</u>
<b>TOTAL FUND BALANCES</b>	<b><u>6,002,655</u></b>	<b><u>6,954,071</u></b>	<b><u>12,956,726</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ <u>11,593,006</u></b>	<b>\$ <u>7,386,649</u></b>	<b>\$ <u>18,979,655</u></b>

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

CITY OF AMESBURY, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

<b>Total governmental fund balances</b>	\$ 12,956,726
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	64,060,333
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>	1,893,657
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to pensions resulting from projected vs actual earnings and expected vs actual experience will be recognized as an increase of pension expense in future years.</li> </ul>	3,975,010
<ul style="list-style-type: none"> <li>• Deferred inflows of resources related to pensions resulting from changes in assumptions and proportion will be recognized as a reduction of pension expense in future years.</li> </ul>	(264,572)
<ul style="list-style-type: none"> <li>• MSBA reimbursements for contract assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>	742,237
<ul style="list-style-type: none"> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(149,413)
<ul style="list-style-type: none"> <li>• Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds</li> </ul>	
Bonds payable	(15,904,100)
Net pension liability	(37,876,298)
Net OPEB obligation	(22,563,298)
Compensated absences	(1,088,728)
Capital leases	<u>(762,066)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>5,019,488</u></b>

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

CITY OF AMESBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ 39,828,675	\$ -	\$ 39,828,675
Excise taxes	2,509,594	-	2,509,594
Penalties, interest and other taxes	289,692	-	289,692
Charges for services	85,566	2,667,693	2,753,259
Intergovernmental	18,182,477	4,400,483	22,582,960
Licenses and permits	626,369	-	626,369
Fines and forfeitures	63,652	-	63,652
Investment income	21,797	755	22,552
Contributions	-	67,238	67,238
Miscellaneous	<u>617,229</u>	<u>130,196</u>	<u>747,425</u>
Total Revenues	62,225,051	7,266,365	69,491,416
<b>EXPENDITURES:</b>			
Current:			
General government	2,454,148	1,475,270	3,929,418
Public safety	7,879,530	272,978	8,152,508
Education	29,669,627	4,407,484	34,077,111
Public works	3,300,839	427,437	3,728,276
Health and human services	1,160,011	199,761	1,359,772
Culture and recreation	768,445	77,514	845,959
Employee benefits	5,630,008	-	5,630,008
Debt service	2,809,258	-	2,809,258
Intergovernmental	<u>8,798,967</u>	<u>-</u>	<u>8,798,967</u>
Total Expenditures	<u>62,470,833</u>	<u>6,860,444</u>	<u>69,331,277</u>
Excess (deficiency) of revenues over expenditures	(245,782)	405,921	160,139
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital lease issuance	160,150	-	160,150
Transfers in	1,201,233	954,667	2,155,900
Transfers out	<u>(954,667)</u>	<u>(1,201,233)</u>	<u>(2,155,900)</u>
Total Other Financing Sources (Uses)	<u>406,716</u>	<u>(246,566)</u>	<u>160,150</u>
Change in fund balance	160,934	159,355	320,289
Fund Balance at Beginning of Year	<u>5,841,721</u>	<u>6,794,716</u>	<u>12,636,437</u>
Fund Balance, at End of Year	<u>\$ 6,002,655</u>	<u>\$ 6,954,071</u>	<u>\$ 12,956,726</u>

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

CITY OF AMESBURY, 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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$ 320,289																						
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:                     <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="width: 20%; text-align: right;">1,094,471</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(54,680)</td> </tr> <tr> <td>Depreciation, net</td> <td style="text-align: right;">(2,803,330)</td> </tr> </table> </li> <li>• 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 deferred revenue. <span style="float: right;">(953,546)</span></li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance and progress payments, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <span style="float: right;">(791,297)</span></li> <li>• 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:                     <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayments of bonds</td> <td style="width: 20%; text-align: right;">2,217,000</td> </tr> <tr> <td>Issuance of leases</td> <td style="text-align: right;">(160,150)</td> </tr> <tr> <td>Repayments of leases</td> <td style="text-align: right;">367,132</td> </tr> <tr> <td>Change in deferred debt amortization</td> <td style="text-align: right;">(9,243)</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">43,379</span></li> <li>• Pension liabilities and related inflows and outflows are not reported as expenditures in the governmental funds, but are recorded as expenses in the Statement of Activities.                     <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Net pension liability</td> <td style="width: 20%; text-align: right;">257,187</td> </tr> <tr> <td>Pension related deferred inflows and outflows of resources</td> <td style="text-align: right;">(905,580)</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.                     <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Net OPEB obligation</td> <td style="width: 20%; text-align: right;">(1,541,875)</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(440,471)</td> </tr> </table> </li> </ul>		Capital outlay	1,094,471	Loss on disposal of assets	(54,680)	Depreciation, net	(2,803,330)	Repayments of bonds	2,217,000	Issuance of leases	(160,150)	Repayments of leases	367,132	Change in deferred debt amortization	(9,243)	Net pension liability	257,187	Pension related deferred inflows and outflows of resources	(905,580)	Net OPEB obligation	(1,541,875)	Compensated absences	(440,471)
Capital outlay	1,094,471																						
Loss on disposal of assets	(54,680)																						
Depreciation, net	(2,803,330)																						
Repayments of bonds	2,217,000																						
Issuance of leases	(160,150)																						
Repayments of leases	367,132																						
Change in deferred debt amortization	(9,243)																						
Net pension liability	257,187																						
Pension related deferred inflows and outflows of resources	(905,580)																						
Net OPEB obligation	(1,541,875)																						
Compensated absences	(440,471)																						
<b>Change in net position of governmental activities</b>	<b>\$ <u>(3,360,714)</u></b>																						

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

CITY OF AMESBURY, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>REVENUES:</b>				
Property taxes	\$ 39,481,941	\$ 39,475,012	\$ 39,475,012	\$ -
Excise taxes	2,396,500	2,396,500	2,509,594	113,094
Penalties, interest and other taxes	207,000	207,000	289,692	82,692
Intergovernmental	12,149,924	12,149,924	12,173,667	23,743
Charges for services	121,800	121,800	85,566	(36,234)
Licenses and permits	536,000	536,000	626,369	90,369
Fines and forfeitures	72,945	72,945	63,652	(9,293)
Investment income	11,500	11,500	18,244	6,744
Miscellaneous	115,750	115,750	617,230	501,480
Total Revenues	55,093,360	55,086,431	55,859,026	772,595
<b>EXPENDITURES</b>				
General government	2,413,096	2,748,418	2,467,773	280,645
Public safety	7,488,857	7,816,092	7,754,658	61,434
Education	29,669,627	29,669,627	29,669,627	-
Public works	2,752,200	3,222,291	3,172,198	50,093
Health and human services	1,211,853	1,252,654	1,161,467	91,187
Culture and recreation	795,199	806,088	768,445	37,643
Employee benefits	5,589,428	5,639,428	5,633,904	5,524
Debt service	2,809,258	2,809,258	2,809,258	-
Intergovernmental	3,623,161	3,611,894	3,504,157	107,737
Total Expenditures	56,352,679	57,575,750	56,941,487	634,263
Excess (deficiency) of revenues over expenditures	(1,259,319)	(2,489,319)	(1,082,461)	1,406,858
<b>OTHER FINANCING SOURCES AND USES</b>				
Use of fund balance (free cash)	500,000	2,161,667	-	(2,161,667)
Transfers in	1,259,319	1,259,319	1,201,233	(58,086)
Transfers out	(500,000)	(931,667)	(931,667)	-
Excess of expenditures and other uses over revenues and other sources	\$ -	\$ -	\$ (812,895)	\$ (812,895)

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

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 582,178	\$ 811,711	\$ 1,393,889
User fees, net of allowance for uncollectibles	<u>756,765</u>	<u>1,098,964</u>	<u>1,855,729</u>
Total current assets	1,338,943	1,910,675	3,249,618
Noncurrent:			
Capital assets not being depreciated	331,418	20,627,037	20,958,455
Capital assets being depreciated, net of accumulated depreciation	<u>13,537,781</u>	<u>5,601,981</u>	<u>19,139,762</u>
Total noncurrent assets	13,869,199	26,229,018	40,098,217
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>26,164</u>	<u>26,179</u>	<u>52,343</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	15,234,306	28,165,872	43,400,178
<b>LIABILITIES</b>			
Current:			
Accrued liabilities	99,331	95,226	194,557
Current portion of long-term liabilities:			
Bonds payable	959,462	1,129,300	2,088,762
Capital leases	-	49,043	49,043
Compensated absences	<u>3,102</u>	<u>6,378</u>	<u>9,480</u>
Total current liabilities	1,061,895	1,279,947	2,341,842
Noncurrent:			
Bonds payable, net of current portion	5,347,660	13,082,906	18,430,566
Net pension liability	262,598	400,432	663,030
Net OPEB obligation	154,664	331,607	486,271
Capital leases, net of current portion	-	50,538	50,538
Compensated absences, net of current portion	<u>58,946</u>	<u>121,191</u>	<u>180,137</u>
Total noncurrent liabilities	5,823,868	13,986,674	19,810,542
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>1,737</u>	<u>1,603</u>	<u>3,340</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	6,887,500	15,268,224	22,155,724
<b>NET POSITION</b>			
Net investment in capital assets	7,562,077	11,917,231	19,479,308
Unrestricted	<u>784,729</u>	<u>980,417</u>	<u>1,765,146</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,346,806</u>	<u>\$ 12,897,648</u>	<u>\$ 21,244,454</u>

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

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 3,112,850	\$ 4,416,851	\$ 7,529,701
Total Operating Revenues	3,112,850	4,416,851	7,529,701
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	1,010,201	1,545,273	2,555,474
Other operating expenses	757,015	938,500	1,695,515
Depreciation	694,395	476,177	1,170,572
Total Operating Expenses	2,461,611	2,959,950	5,421,561
Operating Income	651,239	1,456,901	2,108,140
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Intergovernmental revenue	353,118	-	353,118
Interest expense	(163,102)	(167,909)	(331,011)
Total Nonoperating Revenues (Expenses), Net	190,016	(167,909)	22,107
Change in Net Position	841,255	1,288,992	2,130,247
Net Position at Beginning of Year	7,505,551	11,608,656	19,114,207
Net Position at End of Year	\$ 8,346,806	\$ 12,897,648	\$ 21,244,454

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

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 3,172,921	\$ 4,491,804	\$ 7,664,725
Payments to vendor for goods and services	(757,014)	(938,501)	(1,695,515)
Payments of employees' wages and related benefits	<u>(956,880)</u>	<u>(1,442,231)</u>	<u>(2,399,111)</u>
Net Cash Provided by Operating Activities	1,459,027	2,111,072	3,570,099
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(144,491)	(51,325)	(195,816)
Principal payments on bonds and leases	(681,269)	(1,171,646)	(1,852,915)
Interest expense	<u>(267,268)</u>	<u>(334,664)</u>	<u>(601,932)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,093,028)</u>	<u>(1,557,635)</u>	<u>(2,650,663)</u>
Net Change in Cash and Short-Term Investments	365,999	553,437	919,436
Cash and Short-Term Investments, Beginning of Year	<u>216,179</u>	<u>258,274</u>	<u>474,453</u>
Cash and Short-Term Investments, End of Year	<u>\$ 582,178</u>	<u>\$ 811,711</u>	<u>\$ 1,393,889</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 651,239	\$ 1,456,901	\$ 2,108,140
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	694,395	476,177	1,170,572
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
User fees	60,071	74,953	135,024
Accrued liabilities	(199)	22,421	22,222
Compensated absences	25,588	34,587	60,175
Net pension liability, net	8,979	17,756	26,735
Net OPEB obligation	<u>18,954</u>	<u>28,277</u>	<u>47,231</u>
Net Cash Provided By Operating Activities	<u>\$ 1,459,027</u>	<u>\$ 2,111,072</u>	<u>\$ 3,570,099</u>
Schedule of non-cash capital and related financing activities:			
Intergovernmental debt subsidies (MWPAT)	\$ 353,118	\$ -	\$ 353,118
Contributions of capital assets through lease agreements	\$ -	\$ 148,174	\$ 148,174

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

CITY OF AMESBURY, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2017

	Pension Trust Fund (As of <u>December 31, 2016</u> )	Private Purpose Trust <u>Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 1,410,573	\$ 9,828
Investments (at fair value):		
PRIT	49,033,042	-
Other	<u>-</u>	<u>1,812,805</u>
Total Assets	50,443,615	1,822,633
 <b>LIABILITIES</b>		
Other liabilities	<u>154</u>	<u>-</u>
 <b>FIDUCIARY NET POSITION</b>		
Held in trust for pension benefits and other purposes	<u>\$ 50,443,461</u>	<u>\$ 1,822,633</u>

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

CITY OF AMESBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (For the Year Ended <u>December 31, 2016</u> )	Private Purpose <u>Trust Funds</u>
<b>ADDITIONS:</b>		
Contributions:		
Employers	\$ 3,655,691	\$ -
Plan members	1,501,923	-
Other systems and Commonwealth of Massachusetts	249,552	-
Other	<u>2,527</u>	<u>24,406</u>
Total contributions	5,409,693	24,406
Investment Income:		
Appreciation in fair value of investments	3,749,318	1,579
Less: management fees	<u>(256,116)</u>	<u>-</u>
Net investment income	<u>3,493,202</u>	<u>1,579</u>
Total additions	8,902,895	25,985
<b>DEDUCTIONS:</b>		
Benefit payments to plan members and beneficiaries	5,835,243	-
Refunds to plan members	145,386	-
Transfers to other systems	79,788	-
Administrative expenses	150,843	-
Other	<u>260,915</u>	<u>59,486</u>
Total deductions	<u>6,472,175</u>	<u>59,486</u>
Net increase (decrease)	2,430,720	(33,501)
<b>FIDUCIARY NET POSITION:</b>		
Beginning of year	<u>48,012,741</u>	<u>1,856,134</u>
End of year	<u>\$ 50,443,461</u>	<u>\$ 1,822,633</u>

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

# CITY OF AMESBURY, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Mayor and Municipal Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. The component unit discussed below is included in the City's reporting entity because of the significance of its relationship with the City.

In the Fiduciary Funds: The Amesbury Contributory Retirement System was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund. Additional financial information of the System can be obtained by contacting the Amesbury Contributory Retirement System located at 62 Friend Street, Amesbury, Massachusetts 01913.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and enterprise funds are reported as separate columns in the fund financial statements.

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

#### Government-wide Financial Statements

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

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

#### Fund Financial Statements

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

incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

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 Town reports the following major proprietary funds:

- The *sewer fund* is used to report the City's sewer enterprise fund operations.
- The *water fund* is used to report the City's water enterprise fund operations.

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of

this pool is reflected on the combined financial statements under the caption “cash and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

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

#### *E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of investments in the state investment pool. Investments are carried at fair value.

#### *F. 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 percent (excluding new growth), unless an override is voted. The actual fiscal year 2017 tax levy reflected an excess capacity of approximately \$3,210,000.

#### *G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

#### *H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	40
Vehicles	5
Office equipment	5 - 10
Computer equipment	5

*I. Compensated Absences*

It is the government'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.

*J. 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.

*K. 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 and current liabilities. 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 City's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

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

#### L. Use of Estimates

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

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the Municipal 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 special Municipal Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Municipal 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. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

### B. Budgetary Basis

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

### C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 62,225,051	\$ 62,470,833
Other financing sources/uses (GAAP Basis)	<u>1,361,383</u>	<u>954,667</u>
Subtotal (GAAP Basis)	63,586,434	63,425,500
Adjust tax revenue to accrual basis	(353,663)	-
To reverse unbudgeted amounts GASB 24 Massachusetts Teachers Retirement System	(5,288,810)	(5,288,810)
To reverse beginning of year carryforwards	-	(202,245)
Add end of year carryforwards	-	121,859
To reverse stabilization and capital reserve activity	(723,553)	(23,000)
To reverse non-budgeted activity	<u>(160,149)</u>	<u>(160,150)</u>
Budgetary Basis	<u>\$ 57,060,259</u>	<u>\$ 57,873,154</u>

*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2017:

Nonmajor governmental funds:	
Chapter 90 highway fund	\$ (267,098)
Lake Attitash watershed	(1,445)
Special education grant	(6,950)
Council on aging - clinical grant	(26,773)
Energy manager position	(12,500)
Our backyard program	(935)
Lower Millyard development	(30,049)
Mass. Works Water Street	<u>(48,463)</u>
Total nonmajor governmental funds:	<u>\$ (394,213)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### 3. Cash and Short-Term Investments

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

*Custodial Credit Risk - Deposits.* Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the Contributory Retirement System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The City and System do not have a deposit policy for custodial credit risk.

As of June 30, 2017 and December 31, 2016, none of the City's bank balance of \$16,411,979, and \$979,002 of the System's bank balance of \$1,429,002, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

### 4. Investments

#### A. Credit Risk

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

Presented below is the actual rating as of year-end for each investment of the City:

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year-end					
			AAA	Aa3	A1	A2	A3	Baa1
U.S. Treasury notes	\$ 466,394	\$ -	\$ 466,394	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	968,795	968,795	-	-	-	-	-	-
Corporate bonds	714,832	-	-	90,163	109,974	249,685	159,779	105,231
Corporate equities	16,142	16,142	-	-	-	-	-	-
Federal agency securities	1,883,133	-	1,883,133	-	-	-	-	-
Total investments	\$ 4,049,296	\$ 984,937	\$ 2,349,527	\$ 90,163	\$ 109,974	\$ 249,685	\$ 159,779	\$ 105,231

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 invests in PRIT, a state investment pool. Fair value of the System's investments 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.

**B. Custodial Credit Risk**

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

Of the City's investments of \$4,049,295, \$3,080,501 are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's brokerage firm, which is also the Counterparty to these securities. The City manages this custodial credit risk with SIPC and excess SIPC.

The System's investments of \$49,033,042 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment Pool.

**C. Concentration of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The System does not have an investment in one issuer greater than 5% of total investments.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
U.S. Treasury notes	\$ 466,394	\$ -	\$ 466,394
CDs	968,795	968,795	-
Corporate bonds	714,832	609,600	105,232
Corporate equities	16,142	16,142	-
Federal agency securities	<u>1,883,133</u>	<u>255,479</u>	<u>1,627,654</u>
Total	<u>\$ 4,049,296</u>	<u>\$ 1,850,016</u>	<u>\$ 2,199,280</u>

The System does not maintain investments that are sensitive to market interest rate fluctuations.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have policies for foreign currency risk.

*F. Fair Value*

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:			
Debt securities			
U.S. Treasury securities	\$ 466,394	\$ -	\$ 466,394
Federal agencies	1,883,133	-	1,883,133
Corporate bonds	714,832	-	714,832
Equity securities			
Health Care	16,142	16,142	-
Total	\$ 3,080,501		

The System has the following fair value measurements as of December 31, 2016:

<u>Description</u>	<u>Value</u>	<u>Fair Value Measurements Using:</u>		
		Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool	\$ 49,033,042	\$ -	Monthly	30 days

## 5. Taxes Receivable and Excise Taxes

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

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

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

Boat vehicle 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.

Taxes and excise receivables at June 30, 2017 consist of the following, net of an estimated allowance for doubtful account in the government-wide financial statements:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 628,521	\$ (167,000)	\$ 461,521
Personal property taxes	77,835	(50,000)	27,835
Tax liens	855,432	(86,000)	769,432
Other	62,287	(6,000)	56,287
Total property taxes	1,624,075	(309,000)	1,315,075
Motor vehicle excise	451,143	(142,000)	309,143
Boat excise	36,651	(27,000)	9,651
Total excises	487,794	(169,000)	318,794
Grand total	\$ <u>2,111,869</u>	\$ <u>(478,000)</u>	\$ <u>1,633,869</u>

## **6. Water and Sewer User Charges**

The City provides water and sewer services to residents. Water and sewer bills are based on usage and the City outsources the meter reading and billing to Pennichuck Corporation. The amounts reported on the Statement of Net Position consist of both billed and unbilled receivables.

## **7. Intergovernmental Receivables**

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year 2017 State and Federal grant funds. The remaining balance from MSBA will be collected in fiscal year 2018.

## **8. Transfers**

The City reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to

accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,201,233	\$ 931,667
Nonmajor Funds:		
Special Revenue Funds:		
Quality of life	100,000	-
Reg health agreement	-	53,468
Waterways improvement	-	7,500
Sale of cemetery lots	-	20,000
Ambulance receipts	-	787,345
Youth revolving fund	-	328,760
Capital Project Funds:		
School capital	278,000	-
Signs and lighting	15,000	-
Streets and sidewalks	375,000	-
L Attitash Cyanobacteria	128,667	-
Lake Gardner improvement	25,000	-
40R planning projects	33,000	-
Trust Funds:		
Expendable	-	27,160
Subtotal Nonmajor Funds <sup>(1)</sup>	<u>954,667</u>	<u>1,224,233</u>
Grand Total	<u>\$ 2,155,900</u>	<u>\$ 2,155,900</u>

<sup>(1)</sup> Transfers in and out were netted on page 16 to eliminate activity within the non-major governmental funds

The transfers are used to either move revenues from the fund that statute or budget requires the City to collect to the fund that statute or budget requires the City to expend, or use unrestricted revenues collected in the General fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

The transfer to school capital project fund of \$278,000 was from the general fund for the purpose of purchasing technology and other non-recurring capital improvements for the school department. The transfer to the streets and sidewalks capital project fund of \$375,000 was provided by general fund free cash pursuant to the DPW construction plan. The \$787,345 of ambulance receipts were transferred to the general fund to fund the fire department budget, and the transfer from youth revolving fund of \$328,760 to the general fund was to fund the youth department budget.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 87,571	\$ 39	\$ -	\$ 87,610
Machinery, equipment, and furnishings	5,397	298	(149)	5,546
Infrastructure	<u>20,426</u>	<u>417</u>	<u>-</u>	<u>20,843</u>
Total capital assets, being depreciated	113,394	754	(149)	113,999
Less accumulated depreciation for:				
Buildings and improvements	(37,447)	(2,015)	-	(39,462)
Machinery, equipment, and furnishings	(3,355)	(461)	94	(3,722)
Infrastructure	<u>(16,997)</u>	<u>(327)</u>	<u>-</u>	<u>(17,324)</u>
Total accumulated depreciation	<u>(57,799)</u>	<u>(2,803)</u>	<u>94</u>	<u>(60,508)</u>
Total capital assets, being depreciated, net	55,595	(2,049)	(55)	53,491
Capital assets, not being depreciated:				
Land	2,827	-	-	2,827
Construction in progress	<u>7,402</u>	<u>340</u>	<u>-</u>	<u>7,742</u>
Total capital assets, not being depreciated	<u>10,229</u>	<u>340</u>	<u>-</u>	<u>10,569</u>
Governmental activities capital assets, net	<u>\$ 65,824</u>	<u>\$ (1,709)</u>	<u>\$ (55)</u>	<u>\$ 64,060</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 42,309	\$ -	\$ -	\$ 42,309
Machinery, equipment, and furnishings	644	344	-	988
Infrastructure	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
Total capital assets, being depreciated	43,003	344	-	43,347
Less accumulated depreciation for:				
Buildings and improvements	(22,478)	(944)	-	(23,422)
Machinery, equipment, and furnishings	(556)	(226)	-	(782)
Infrastructure	<u>(2)</u>	<u>(1)</u>	<u>-</u>	<u>(3)</u>
Total accumulated depreciation	<u>(23,036)</u>	<u>(1,171)</u>	<u>-</u>	<u>(24,207)</u>
Total capital assets, being depreciated, net	19,967	(827)	-	19,140
Capital assets, not being depreciated:				
Land	1,054	-	-	1,054
Construction in progress	<u>19,904</u>	<u>-</u>	<u>-</u>	<u>19,904</u>
Total capital assets, not being depreciated	<u>20,958</u>	<u>-</u>	<u>-</u>	<u>20,958</u>
Business-type activities capital assets, net	<u>\$ 40,925</u>	<u>\$ (827)</u>	<u>\$ -</u>	<u>\$ 40,098</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	\$ 829
Public safety	317
Education	939
Public works	470
Culture and recreation	<u>248</u>
Total depreciation expense - governmental activities	<u>\$ 2,803</u>
Business-Type Activities:	
Sewer	\$ 694
Water	<u>477</u>
Total depreciation expense - business-type activities	<u>\$ 1,171</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, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

#### **11. Warrants & Accounts Payable**

Accounts payable represent 2017 expenditures paid after June 30, 2017.

#### **12. Capital Lease Obligations**

The City is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum lease payments under capital leases consisted of the following as of June 30, 2017:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2018	\$ 354,489
2019	245,304
2020	95,703
2021	<u>95,702</u>
Total minimum lease payments	791,198
Less amounts representing interest	<u>(29,132)</u>
Present Value of Minimum Lease Payments	<u>\$ 762,066</u>

<u>Fiscal Year</u>	<u>Business-Type Activities</u>
2018	\$ 51,980
2019	<u>52,029</u>
Total minimum lease payments	104,009
Less amounts representing interest	<u>(4,428)</u>
Present Value of Minimum Lease Payments	<u>\$ 99,581</u>

### 13. Long-Term Debt

#### A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
GOB Refunding 2014	08/15/21	2.00%	\$ 100,000
School building addition	08/01/25	4.00 - 4.50%	3,960,000
Public safety repair/remodel	12/15/28	3.00 - 3.50%	420,000
Municipal purpose 2014	08/15/34	2.00 - 4.00%	1,580,000
Municipal purpose 2016	09/01/35	2.00 - 4.00%	8,715,000
School refunding 2016	09/17/18	3.00%	190,900
School Project Refunding	09/17/17	3.00%	<u>938,200</u>
Total Governmental Activities:			<u>\$ 15,904,100</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
Title 5	08/01/18	4.00 - 5.00%	\$ 5,096
Sewer 98-93	08/01/20	4.50 - 5.625%	60,000
Sewer CW 01-13	08/01/22	3.00 - 5.25%	3,220,000
Sewer CW-02-17A	08/01/23	2.00 - 5.00%	810,000
Sewer CW-02-17B	08/01/23	2.00 - 5.00%	195,000
Sewer CW-02-17C	07/15/26	0.00%	500,125
Sewer treatment facility	08/01/28	4.00 - 4.50%	465,000
Water treatment facility	08/01/28	4.00 - 4.50%	240,000
Water treatment - MWPAT	07/15/30	2.00%	2,427,119
Drinking water bond	07/15/32	2.00%	8,226,088
Water treatment facility	12/15/28	3.00 - 3.50%	1,065,000
Water storage tank	12/15/28	3.00 - 3.50%	190,000
Sewer refunding 2014	08/15/23	2.00%	910,000
Water refunding 2014	08/15/23	2.00%	770,000
Water treatment upgrade	08/15/34	2.00 - 4.00%	700,000
Water storage tank	08/15/20	2.00 - 4.00%	260,000
Sewer refunding 2016	09/17/18	3.00%	334,000
Water refunding 2016	09/17/18	3.00%	141,900
Total Business-Type Activities:			<u>\$ 20,519,328</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,071,100	\$ 522,766	\$ 2,593,866
2019	1,133,000	467,729	1,600,729
2020	1,040,000	426,659	1,466,659
2021	1,045,000	385,434	1,430,434
2022	1,045,000	344,209	1,389,209
2023 - 2027	4,700,000	1,122,624	5,822,624
2028-2032	2,815,000	539,509	3,354,509
2033-2036	2,055,000	129,091	2,184,091
Total	<u>\$ 15,904,100</u>	<u>\$ 3,938,021</u>	<u>\$ 19,842,121</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,088,762	\$ 536,810	\$ 2,625,572
2019	2,099,374	474,412	2,573,786
2020	1,862,602	388,943	2,251,545
2021	1,840,651	337,809	2,178,460
2022	1,838,980	290,678	2,129,658
2023 - 2027	5,949,971	826,202	6,776,173
2028-2032	4,092,849	286,067	4,378,916
2033-2036	746,139	13,353	759,492
<b>Total</b>	<b>\$ 20,519,328</b>	<b>\$ 3,154,274</b>	<b>\$ 23,673,602</b>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2017, the following changes occurred in long-term:

	Total Balance <u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 18,121	\$ -	\$ (2,217)	\$ 15,904	\$ (2,071)	\$ 13,833
Net pension liability	38,133	-	(257)	37,876	-	37,876
Net OPEB obligation	21,021	1,542	-	22,563	-	22,563
Capital lease	970	160	(368)	762	(339)	423
Accrued employee benefits	649	439	-	1,088	(54)	1,034
<b>Totals</b>	<b>\$ 78,894</b>	<b>\$ 2,141</b>	<b>\$ (2,842)</b>	<b>\$ 78,193</b>	<b>\$ (2,464)</b>	<b>\$ 75,729</b>
<u>Business-Type Activities</u>						
Bonds payable	\$ 22,677	\$ -	\$ (2,157)	\$ 20,520	\$ (2,089)	\$ 18,431
Net pension liability	674	-	(11)	663	-	663
Net OPEB obligation	439	47	-	486	-	486
Capital lease	-	148	(48)	100	(49)	51
Accrued employee benefits	130	59	-	189	(9)	180
<b>Totals</b>	<b>\$ 23,920</b>	<b>\$ 254</b>	<b>\$ (2,216)</b>	<b>\$ 21,958</b>	<b>\$ (2,147)</b>	<b>\$ 19,811</b>

**14. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The City reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17.

*Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities for the current year.

## 15. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 16. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2017:

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 nonmajor governmental fund reserves for the principal portion of permanent trust 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 and capital project funds, and the income portion of permanent trust 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 article appropriations approved by City Council, Smart Growth stabilization funds set aside by City Council vote for future capital acquisitions and improvements.

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 or temporary deficits in other funds.

Following is a breakdown of the City's fund balances at June 30, 2017:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 600,054	\$ 600,054
Total Nonexpendable	-	600,054	600,054
Restricted			
Bonded projects:			
Public safety building	-	133,151	133,151
EEA Riverwalk	-	395,479	395,479
Other bonded projects	-	98,470	98,470
Special Revenue funds:			
Ambulance receipts	-	717,299	717,299
Youth revolving fund	-	819,152	819,152
School Choice	-	318,890	318,890
Circuit Breaker	-	546,226	546,226
School tuition	-	270,560	270,560
Planning Board escrow	-	852,205	852,205
Quality of life fund	-	100,000	100,000
Cablevision educational	-	158,622	158,622
Other revolving funds	-	1,063,646	1,063,646
Expendable permanent funds	-	150,405	150,405
Total Restricted	-	5,624,105	5,624,105
Committed			
Smart Growth Stabilization	588,005	-	588,005
Capital project funds:			
Streets and sidewalks fund	-	520,378	520,378
School capital	-	278,000	278,000
Lake Attitash cyanobacteria	-	128,667	128,667
40R planning projects	-	101,437	101,437
Other capital project funds	-	95,643	95,643
Total Committed	588,005	1,124,125	1,712,130
Assigned			
Encumbrances	121,859	-	121,859
Assigned for FY17 expenditures	343,950	-	343,950
Total Assigned	465,809	-	465,809
Unassigned <sup>(1)</sup>			
	4,948,841	(394,213)	4,554,628
Total Unassigned	4,948,841	(394,213)	4,554,628
Total Fund Balance	\$ 6,002,655	\$ 6,954,071	\$ 12,956,726

(1) Includes General Stabilization fund balance of \$1,117,853.

(2) Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of a legislative body and must clearly define the purpose of the fund. 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.

**17. Retirement System – Amesbury Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

**A. Plan Description**

The System is a member of the Massachusetts Contributory Retirement System (MA System) and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town’s basic financial systems.

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and the Amesbury Housing Authority are members of the Amesbury 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 is governed by a five-member board. The five members include two appointed by the Town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at January 1, 2016 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	227
Terminated plan members entitled to but not yet receiving benefits	49
Disabled	15
Active plan members	<u>266</u>
Total	<u>557</u>
Number of participating employers	2

## Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-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 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

## Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of

service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

### Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

### Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The City's contribution to the System for the year ended June 30, 2017 was \$3,550,401, which was equal to its annual required contribution.

### B. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2015 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

## Investments

### *Investment Policy*

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

### *Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Net Pension Liability

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

### C. Net Pension Liability of Participating Employers

The net pension liability is based on an actuarial valuation dated January 1, 2016 and reported as of December 31, 2016.

The components of the net pension liability of the participating employers at June 30, 2017 were as follows:

#### Net Pension Liability of Employers

Total pension liability	\$ 90,133,360
Plan fiduciary net position	<u>(50,443,461)</u>
Employers' net pension liability	<u>\$ 39,689,899</u>
Plan fiduciary net position as a percentage of total pension liability	56.0%

## Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2016
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.00%
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$12,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2015 through December 31, 2015.

Mortality rates were as follows:

- Pre-retirement and beneficiary – reflects RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational.
- Post-retirement – reflects RP-2014 Blue Collar Mortality tables set forward five years for males and three for females for members of Groups 1 and 2 and set forward three years for males and six for females for members of Group 4, fully generational.
- Disability – reflects RP-2000 Mortality table set forward six years for members of Groups 1 and 2 and set forward two years for members of Group 4. Generational adjusting is based on Scale MP-2014.

## 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>
Large Cap Equities	14.5%	7.50%
Small/Mid Cap Equities	3.5%	7.75%
International Equities	16.0%	7.83%
Emerging International Equities	6.0%	9.61%
Subtotal Global Equity	40.0%	
Core Bonds	5.0%	4.00%
20+ Yr. Treasury STRIPS	5.0%	3.75%
TIPS	3.0%	3.75%
Subtotal Core Fixed Income	13.0%	
High-Yield Bonds	1.5%	5.75%
Bank Loans	1.5%	6.00%
EMD (External)	1.0%	5.75%
EMD (Local Currency)	2.0%	6.50%
Private Debt	4.0%	9.06%
Subtotal Value-Added Fixed Income	10.0%	
Private Equity	10.0%	9.50%
Real Estate	10.0%	6.50%
Timberland	4.0%	6.00%
Hedge Funds & Portfolio Completion	13.0%	6.48%
Grand Total	100.0%	

**Discount Rate:** The discount rate used to measure the total pension liability was 7.75%. 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 Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
December 31, 2016	\$ 50,004,536	\$ 38,539,328	\$ 30,382,500

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

At June 30, 2017, the City reported a liability of \$38,539,328 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. 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. At December 31, 2015, the City's proportion was 97.101%.

For the year ended June 30, 2017, the City recognized pension expense of \$4,469,424. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,434,039	\$ -
Changes of assumptions	-	255,083
Net difference between projected and actual earnings on pension plan investments	2,522,461	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>70,853</u>	<u>12,829</u>
Total	<u>\$ 4,027,353</u>	<u>\$ 267,912</u>

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

Year ended June 30:	<u>Net Deferred Outflows (Inflows) of Resources</u>
2018	\$ 1,223,425
2019	1,223,425
2020	1,097,974
2021	<u>214,617</u>
Total	<u>\$ 3,759,441</u>

## 18. Massachusetts Teachers' Retirement System (MTRS)

### A. Plan Description

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

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

### B. Benefits Provided

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

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

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who

contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

*C. Contributions*

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

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

*D. Actuarial Assumptions*

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

- 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
  - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-

estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	1.6%
Hedge funds	9.0%	8.7%
Private equity	10.0%	4.6%
Real estate	10.0%	4.8%
Value added fixed income	10.0%	4.0%
Portfolio completion strategies	4.0%	3.6%
Timber/natural resources	4.0%	5.4%
Total	<u>100.0%</u>	

*E. Discount Rate*

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

*F. Sensitivity Analysis*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2016. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 7.50%</u>
June 30, 2016	\$ 27,464,000	\$ 22,357,928	\$ 18,022,000
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

### G. Special Funding Situation

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

### H. City Proportions

In fiscal year 2016 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability and pension expense was \$51,847,743 and \$5,288,810 respectively, based on a proportionate share of 0.231899%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both a revenue and expense in the Government-Wide Statement of Activities.

## **19. Post-Employment Healthcare and Life Insurance**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

### A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2017, the actuarial valuation date, approximately 499 retirees and 375 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### B. Benefits Provided

The City provides medical, dental, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents.

All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute a variable portion of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2017.

Annual Required Contribution (ARC)	\$ 4,380,897
Interest on net OPEB obligation	858,419
Adjustment to ARC	<u>(690,665)</u>
Annual OPEB cost	4,548,651
Contributions made	<u>(2,959,545)</u>
Increase in net OPEB obligation	1,589,106
Net OPEB obligation - beginning of year	<u>21,460,463</u>
Net OPEB obligation - end of year	<u>\$ 23,049,569</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 4,548,651	65%	\$ 23,049,569
2016	\$ 4,307,831	59%	\$ 21,460,463
2015	\$ 4,155,928	58%	\$ 19,693,019
2014	\$ 5,338,987	53%	\$ 17,966,891
2013	\$ 5,195,799	52%	\$ 15,445,397

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2017, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 83,999,226
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 83,999,226</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 33,220,978</u>
UAAL as a percentage of covered payroll	<u>252.8%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 5.5% which decreases to a 4.5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

## **20. Commitments and Contingencies**

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

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to City Counsel, the probable outcome of these cases at the present time is indeterminable, although the City expects such amounts, if any, to be immaterial.

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.

## **21. Tax Increment Financing Agreements**

The City provides property tax abatements authorized under Massachusetts General Law (MGL) Chapter 23A, Section 3E, *Economic Opportunity Areas*, and MGL Chapter 59, Section 5, Clause 51, *Property; exemptions*. The purpose of the program is to provide property tax assessment relief to stimulate job creation in distressed areas, attract new businesses, encourage business expansion, and increase overall economic development in Massachusetts. Tax Increment Financing (TIF) agreements are utilized as tools; by which the difference between the beginning assessed value of the property and the value added by new construction or rehabilitation is exempted from taxation. A TIF Zone must be in an area approved by the Economic Assistance Coordinating Council (EACC) as an *Economic Opportunity Area* (EOA) or found to be an area "presenting exceptional opportunities for economic development" by the Director of Economic Development. Certification of the TIF Plan is issued by the EACC after the plan is accepted by municipal vote.

Property tax revenues were reduced by \$135,750 during the fiscal year under agreements entered into by the City.

## **22. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the City beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of

resources, deferred inflows of resources, and expense/expenditures. In addition, the Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

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

**JUNE 30, 2017**  
**(Unaudited)**

Amesbury 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, 2017	December 31, 2016	97.101%	\$38,539,328	\$ 13,560,595	284.20%	56.00%
June 30, 2016	December 31, 2015	96.882%	\$38,807,120	\$ 13,009,625	298.30%	54.50%
June 30, 2015	December 31, 2014	96.905%	\$34,074,527	\$ 11,951,824	285.10%	58.00%

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 Town</u>	<u>Total Net Pension Liability Associated with the Town</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, 2017	June 30, 2016	0.231899%	\$ -	\$ 51,847,743	\$ 51,847,743	\$ 15,253,516	0.00%	52.73%
June 30, 2016	June 30, 2015	0.233639%	\$ -	\$ 47,871,783	\$ 47,871,783	\$ 14,810,115	0.00%	55.38%
June 30, 2015	June 30, 2014	0.234419%	\$ -	\$ 37,264,050	\$ 37,264,050	\$ 14,373,387	0.00%	61.64%

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

See Independent Auditors' Report.

**CITY OF AMESBURY, MASSACHUSETTS**

**SCHEDULE OF PENSION CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION (GASB 68)**

**JUNE 30, 2017  
(Unaudited)**

Amesbury Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 3,550,401	\$ 3,550,401	\$ -	\$ 13,560,595	26.2%
June 30, 2016	\$ 3,415,222	\$ 3,415,222	\$ -	\$ 13,009,625	26.3%
June 30, 2015	\$ 3,317,591	\$ 3,317,591	\$ -	\$ 11,951,824	27.8%

See Independent Auditors' Report.

**CITY OF AMESBURY, MASSACHUSETTS  
CONTRIBUTORY RETIREMENT SYSTEM**

**Schedule of Changes in the Net Pension Liability  
Required Supplementary Information (GASB 67)  
(Unaudited)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>			
Service cost	\$ 1,660,087	\$ 1,596,238	\$ 1,430,806
Interest on unfunded liability - time value of \$	6,714,485	7,040,701	6,789,264
Change in assumptions	-	(414,546)	-
Experience (gain) and loss	-	2,330,523	-
Benefit payments, including refunds of member contributions	(6,321,333)	(5,966,793)	(5,140,286)
Interest on benefit payments	<u>-</u>	<u>(241,254)</u>	<u>(207,834)</u>
Net change in total pension liability	2,053,239	4,344,869	2,871,950
Total pension liability - beginning	<u>88,080,121</u>	<u>83,735,252</u>	<u>80,863,302</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 90,133,360</u></b>	<b><u>\$ 88,080,121</u></b>	<b><u>\$ 83,735,252</u></b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 3,655,691	\$ 3,525,137	\$ 3,423,564
Contributions - member	1,501,924	1,480,049	1,412,991
Net investment income	3,493,201	322,438	3,102,777
Benefit payments, including refunds of member contributions	(6,321,333)	(5,966,793)	(5,140,286)
Administrative expense	(150,842)	(142,225)	129,258
Other	<u>252,079</u>	<u>221,844</u>	<u>105,263</u>
Net change in plan fiduciary net position	2,430,720	(559,550)	3,033,567
Plan fiduciary net position - beginning	<u>48,012,741</u>	<u>48,572,291</u>	<u>45,538,724</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 50,443,461</u></b>	<b><u>\$ 48,012,741</u></b>	<b><u>\$ 48,572,291</u></b>
<b>Net pension liability - ending (a-b)</b>	<b><u>\$ 39,689,899</u></b>	<b><u>\$ 40,067,380</u></b>	<b><u>\$ 35,162,961</u></b>

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

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

See Independent Auditors' Report.

**TOWN OF AMESBURY, MASSACHUSETTS  
CONTRIBUTORY RETIREMENT SYSTEM**

**Schedules of Net Pension Liability, Contributions, and Investment Returns  
Required Supplementary Information (GASB 67)  
(Unaudited)**

**Schedule of Net Pension Liability**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 90,133,360	\$ 88,080,121	\$ 83,735,252
Plan fiduciary net position	<u>50,443,461</u>	<u>48,012,741</u>	<u>48,572,291</u>
Net pension liability (asset)	<u>\$ 39,689,899</u>	<u>\$ 40,067,380</u>	<u>\$ 35,162,961</u>
Plan fiduciary net position as a percentage of the total pension liability	56.0%	54.5%	58.0%
Covered payroll	\$ 13,965,453	\$ 13,428,320	\$ 12,333,598
Participating employer net pension liability (asset) as a percentage of covered payroll	284.2%	298.4%	285.1%

**Schedule of Contributions**

	<u>2017</u>	<u>2016</u>	<u>2012</u>
Actuarially determined contribution	\$ 3,655,691	\$ 3,525,137	\$ 3,423,564
Contributions in relation to the actuarially determined contribution	<u>3,655,691</u>	<u>3,525,137</u>	<u>3,423,564</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,965,453	\$ 13,428,320	\$ 12,333,598
Contributions as a percentage of covered payroll	26.2%	26.3%	27.8%

**Schedule of Investment Returns**

*Year Ended December 31*

	<u>2017</u>	<u>2016</u>	<u>2012</u>
Annual money weighted rate of return, net of investment expense	7.38%	0.69%	7.71%

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

See Independent Auditors' Report.

**CITY OF AMESBURY, MASSACHUSETTS**  
**SCHEDULE OF OPEB FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION (GASB 45)**

**June 30, 2017**

**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/17	\$ -	\$ 83,999,226	\$ 83,999,226	0.0%	\$ 33,220,978	252.8%
06/30/15	\$ -	\$ 71,692,842	\$ 71,692,842	0.0%	\$ 28,031,951	255.8%
06/30/13	\$ -	\$ 87,212,371	\$ 87,212,371	0.0%	\$ 29,000,000	300.7%
06/30/11	\$ -	\$ 93,574,188	\$ 93,574,188	0.0%	\$ 28,915,767	323.6%
06/30/09	\$ -	\$ 81,294,859	\$ 81,294,859	0.0%	\$ 28,069,341	289.6%

See Independent Auditors' Report.

CITY OF AMESBURY, MASSACHUSETTS

SCHEDULE OF REVENUES AND EXPENDITURES  
AND OTHER USES - BUDGET AND ACTUAL  
SEWER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:			
Current service charges	\$ <u>3,011,831</u>	\$ <u>3,172,921</u>	\$ <u>161,090</u>
Total Revenues	3,011,831	3,172,921	161,090
Expenditures:			
Personnel services	976,350	956,680	19,670
Supplies and materials	815,022	742,714	72,308
Capital outlay	247,000	158,792	88,208
Debt service	<u>973,459</u>	<u>948,536</u>	<u>24,923</u>
Total Expenditures	<u>3,011,831</u>	<u>2,806,722</u>	<u>205,109</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 366,199</u>	<u>\$ 366,199</u>

See Independent Auditors' report.

CITY OF AMESBURY, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENDITURES,  
 AND OTHER USES - BUDGET AND ACTUAL  
 WATER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	Actual (Budgetary <u>Basis</u> )	Variance Favorable ( <u>Unfavorable</u> )
Revenues:			
Current service charges	\$ 4,106,587	\$ 4,492,211	\$ 385,624
Expenditures:			
Personnel services	1,447,387	1,464,653	(17,266)
Supplies and materials	1,185,072	1,038,419	146,653
Debt service	<u>1,474,128</u>	<u>1,457,717</u>	<u>16,411</u>
Total Expenditures	<u>4,106,587</u>	<u>3,960,789</u>	<u>145,798</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 531,422</u>	<u>\$ 531,422</u>

See Independent Auditors' report.