

**COMMITTEE ON AUDIT - September 13, 2018**  
**MEETING AT 6:30 PM, Councillor William Saltzman Antechamber - Room 213 - City Hall**  
**AGENDA**

1. COMMUNICATION, Council President Morad, submitting a copy of the City of New Bedford's Comprehensive Annual Financial Report (CAFR), for Fiscal Year ended June 30, 2017. (To be Referred to the Committee on Audit.) (Ref'd 4/12/18)

***INVITEES: Robert Ekstrom, City Auditor; Ari J. Sky, Chief Financial Officer***

2. COMMUNICATION, Council President Morad, submitting a copy of an "Other Comments and Recommendations Letter" from Hague, Sahady & Co., P.C. in connection with the City's fiscal year 2017 Audit. (To be Referred to the Committee on Audit.) (Ref'd 6/28/18)

***INVITEES: Robert Ekstrom, City Auditor; Ari J. Sky, Chief Financial Officer***

***Chair Suggests 'No Further Action' and 'Report Out to the Full City Council'***

3. WRITTEN MOTION, Councillors Lima, Lopes and Council President Morad, requesting, now that Free Cash has been Certified, the Audit Committee meet with Mary Sahady and Andrew Lima from Hague, Sahady & Company and CFO Ari Sky to discuss the City's financial condition prior to the Administration's presentation of the 2019 Fiscal Year budget. (Ref'd 2/8/18) (4/12/18-NO QUORUM)

***In accordance with the Americans with Disabilities Act (ADA), if any accommodations are needed, please contact the Clerk of Committees Office at 508-979-1482. Requests should be made as soon as possible but at least 48 hours prior to the scheduled meeting.***



Item Title:

COMMUNICATION re Comprehensive Annual Financial Report for FY ended June 30, 2017

Item Detail:

1. COMMUNICATION, Council President Morad, submitting a copy of the City of New Bedford's Comprehensive Annual Financial Report (CAFR), for Fiscal Year ended June 30, 2017. (To be Referred to the Committee on Audit.) (Ref'd 4/12/18)

Additional Information:

ATTACHMENTS:

Description	Type
 1. Comprehensive Annual Financial Report FY17	Cover Memo



***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***  
*Fiscal Year Ended June 30, 2017*

**Jonathan F. Mitchell**  
**Mayor**

**Ari J. Sky**  
**Chief Financial Officer**

**CITY OF  
NEW BEDFORD,  
MASSACHUSETTS**

**Prepared by the Offices of the Chief Financial Officer and the  
City Auditor**



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# **INTRODUCTORY SECTION**





## CITY OF NEW BEDFORD

January 28, 2018

Mayor Jon Mitchell,  
Members of the City Council,  
and Citizens of New Bedford:

We are pleased to submit the first-ever Comprehensive Annual Financial Report (CAFR) for the City of New Bedford (City), which is for the fiscal year ended June 30, 2017. The CAFR was prepared by the City Auditor's Office with the assistance of the City's external auditors, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. Management is also responsible for establishing and maintaining internal accounting controls designed to provide reasonable, but not absolute, assurance that these financial statements are complete and accurate in their presentation.

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected Hague, Sahady & Co., P.C. to perform the audit of its June 30, 2017 financial statements. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review to help assure a fair presentation of the City's financial position and results of operations.

The City also undergoes an annual audit of its federal grant funds as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Hague, Sahady & Co. CPAs, P.C. issues separate reports on the City's internal control systems and compliance with applicable laws and regulations that meet the requirements of the Uniform Guidance. A substantial focus of the Single Audit is to evaluate the City's internal control structure. The evaluation includes testing a significant number of the major federal program transactions that occurred during the fiscal year. The Single Audit also requires that the auditors determine whether the organization has complied with laws and regulations that may have a material effect on each of its major federal financial assistance programs. All of the City's major federal programs are evaluated for the adequacy of internal controls and compliance with laws and regulations. The report is publicly issued under a separate cover.

Management's Discussion and Analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

## Profile of the Government

New Bedford lies along the southeastern coast of Massachusetts approximately 56 miles south of Boston, occupying 24.1 square miles, including 4.1 square miles of water, at the confluence of the Acushnet River and Buzzard's Bay. Featuring a natural deep-water harbor and over 11 miles of coastline and riverfront, New Bedford is bordered by Dartmouth to the west, Freetown to the north, Acushnet and Fairhaven to the east, and Buzzard's Bay to the south.

Originally incorporated as a town in 1787, New Bedford became a City under Chapter 60 of Acts of 1847 of the Commonwealth of Massachusetts. Since 1939, the City has operated under a Plan B Charter in accordance with Massachusetts General Laws, Chapter 43, Sections 56 through 63, which provides for a Mayor and City Council elected by voters. The Mayor, who serves as chief executive officer of the City and has general supervision of and control over the City's boards, commissions, officers, and departments, is elected to a two-year term. However, in November 2017, voters approved extending the mayoral term to four years, beginning with the 2019 election. The legislative body of the City is the City Council, which consists of 11 elected members serving two-year terms. One councilor is elected from each of the City's six wards, and five are elected at-large.

Mayor Jonathan F. Mitchell was first sworn into office as the City's 38<sup>th</sup> Mayor on January 2, 2012, and is currently serving in his fourth consecutive two-year term that will run until January 2020. Prior to his election as Mayor, Mitchell worked as a federal prosecutor with the United States Department of Justice, having been selected to the prestigious Attorney General's Honor Program. After three years in that role he returned to Massachusetts, where he worked in the Massachusetts Attorney General's Office and in private practice prior to his appointment as Assistant United States Attorney in Boston. Since Mitchell took office, New Bedford has moved aggressively to reform its school system, modernize its port, strengthen city services, improve financial health, and raise the quality of life in each neighborhood. Under his leadership, New Bedford has emerged as a national leader in renewable energy and has twice posted the highest reduction in annual unemployment rates among American cities, each of which has contributed toward earning the City its highest bond ratings in 40 years.

## Budgeting and Financial Reporting

The City budgets and maintains its books and records on a statutory basis of accounting prescribed by the Massachusetts Department of Revenue's Division of Local Services (DLS), which are then adjusted in order to present the accompanying financial statements in conformity with GAAP. Accounts are organized on a fund basis, with each fund a separate accounting entity containing self-balancing accounts that comprise assets, liabilities, fund balance, revenues, and expenses or expenditures.

All City departments other than the School Department are required to submit budget requests in advance of the fiscal year beginning July 1 to the Chief Financial Officer, who aggregates and analyzes them for recommendation to the Mayor. In turn, the Mayor must submit a proposed expenditure budget to the City Council within 170 days after the annual organization of City government each January. The School Department's expenditure budget is separately prepared under the direction of the School Committee, and is included as a single line item within the Mayor's proposed budget submission.

The City Council has 45 days to act on any item of the proposed budget, and if it does not do so that item takes effect. It may make appropriations for the Mayor's proposed purposes or may reduce or reject any item, but may not increase any item or make any appropriation for a purpose not included in the proposed budget, except in limited circumstances. If the Mayor does not timely submit a proposed budget, provision is made for the preparation of a budget by the City Council.

Provision is also made for supplementary non-School appropriations upon the recommendation of the Mayor. Although the School Department budget is limited to the total amount appropriated by the City Council, the School Committee retains full power to allocate the funds appropriated. The City Council, upon the recommendation of the Mayor, can in most cases transfer appropriations within any department other than the

School Department to another appropriation for the same department or for use by another department.

Under Massachusetts general law, proposed revenues, including the proposed tax levy and resulting tax rates, in sufficiency to fund City Council appropriations must be approved by the DLS before January 1 of each fiscal year. The approved tax levy includes certain items not appropriated by City Council, such as State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final legal judgments.

Included in the basic financial statements, which are prepared on the GAAP basis of accounting, are governmental activities, business-type activities, each major fund, an aggregation of remaining funds, and certain legally-distinct entities the City has presented as component units to emphasize their operational and/or financial relationship with the City. Major component units are discretely presented and include the Greater New Bedford Regional Refuse Management District and the New Bedford Harbor Development Commission. Non-major component units are blended and include the Greater New Bedford Workforce Investment Board, Inc. and the New Bedford Redevelopment Authority. The New Bedford Retirement System (NBRS) is presented as a fiduciary fund. The Notes to the Financial Statements further discuss the City's financial reporting entity.

### **Local Economy**

New Bedford is a coastal community with a natural deep-water harbor, access to all modes of transport, and proximity to Boston, Providence, and Cape Cod, all of which provide a diverse base for sustained growth and an ability to quickly adapt in an ever-changing economic climate. Today, the City continues to be a preeminent commercial, industrial, and recreational center in southeastern Massachusetts.

The New Bedford harbor has been the top fishing port in America for the last twelve consecutive years and is home to over 200 maritime-based businesses, including the New Bedford Marine Commerce Terminal, a multi-purpose facility designed to support the construction, assembly, and deployment of offshore wind projects; a cargo shipping and cruise industry; a shipyard; and facilities for bulk and break-bulk cargo and vessel repairs. The port is also a Free Trade Zone, providing duty free manufacturing for an international base of importers and exporters. The growth of the maritime industries has also fostered the emergence of a host of skilled labor professions which have developed locally to support the maritime economy.

Outside of the maritime industry, the City is home to a total of 3,300 businesses that support more than 43,000 jobs in manufacturing, healthcare, service, and emerging sectors such as medical device manufacturing. New Bedford is also one of only 27 communities in Massachusetts to be awarded the prestigious 'Platinum BioReady Community' rating by the Massachusetts Biotechnical Council.

Highway connections from both U.S. Interstate Route 195 and Massachusetts Route 140, along with an expanded airport that now includes jet service, make New Bedford an easy-access and affordable destination for both tank-away and long-distance tourists, who revel in New Bedford's historical charm, its 11 combined miles of coastline and riverfront, and its cultural significance as one of the largest Portuguese-American communities in America. During fiscal year 2017, hotel room taxes were up 8.5% over 2016, the seventh consecutive annual increase, while local restaurant meals taxes increased 3.5% to reach their highest level since the tax was implemented in 2009.

As of the 2010 U.S. Census, the City of New Bedford had a population of 95,072, making it the sixth largest city in Massachusetts. The Massachusetts Executive Office of Labor and Workforce Development reported that the City's labor force was 47,291 as of November 2017, of which 44,531 were employed. This represents a growth of 2.2% over the same period in 2016, while the resulting unadjusted unemployment rate of 5.8% is 1.0% higher. By contrast, state unemployment rose from an unadjusted 2.8% in November 2016 to 3.3% in November 2017.

In 2016, Standard and Poor's Rating Service issued the City an AA- bond rating, its highest in at least 40 years, citing a number of factors that were led by increased development throughout the city which has spurred improved market values. In April 2017, S&P reaffirmed that rating, while Moody's reaffirmed its A1 rating.

## Financial Overview

The City's General Fund is the largest of its Governmental Funds, and accounts for all activities of the primary government other than those for specific purposes that may be separately accounted for under another general law or special act. During fiscal year 2017, the General Fund's fund balance increased \$0.1 million to \$27.9 million, of which \$16.6 million, or 4.9% of annual expenditures and transfers out, was unassigned. The deficit was the direct result of management's decision to utilize \$2.0 million from Free Cash available at the beginning of the year in order to preserve its excess levy capacity at \$4.9 million. Free Cash is a portion of a Massachusetts municipality's beginning unassigned fund balance that remains after the DLS reserves for other potentially adverse items. As of July 1, 2016, the City's Free Cash as certified by the DLS was \$3.4 million. In addition to utilizing \$2.0 million toward 2017, the City Council appropriated \$0.5 million and \$0.3 million to stabilization funds and the OPEB Trust Fund, respectively, each to maintain compliance with City policy, while \$0.6 million was left unappropriated. As of June 30, 2017, General Fund stabilization funds now represent 3.0% of General Fund expenditures, which is within the 2% to 6% range prescribed by City policy.

Total Governmental Funds fund balance increased \$8.3 million during fiscal year 2017, to close at \$51.2 million at year-end. The 2017 increase is primarily comprised of \$4.5 million in special revenue funds reflecting the receipt of Department of Housing and Urban Development grants and third-party settlements in advance of their expenditure, \$1.6 million from the receipt of bond, BAN, and grant proceeds in advance of capital project expenditures, and \$1.3 million from wastewater funds due to across-the-board rate increases.

Among Proprietary Funds, net position decreased \$3.8 million in enterprise funds and \$0.8 million in internal service funds during fiscal year 2017. At June 30, 2017, the aggregated net position was \$42.2 million in enterprise funds and \$2.8 million in internal services funds. The decrease in enterprise funds was due to the combination of management's decision to transfer \$2.0 million in Water unrestricted net position to a stabilization fund, and a \$1.6 million loss from Airport operations as user fees are not designed to cover GAAP-basis depreciation. The internal services funds decrease reflects less revenue from General Fund contributions to the City's medical claims trust fund.

## Long-Term Financial Planning

In 2017, management implemented its first long-range financial plan in an effort to better assess the impact of policy decisions and economic factors on the General Fund's fund balance over time. The plan incorporates assumptions regarding future tax assessments and rates of collection, as well as the potential impact of labor, benefits, and inflation on overall expenditures. The first plan covering fiscal years 2018 – 2022 forecasts a required compound annual growth rate, or CAGR, of 3.4% in order to meet anticipated expenditures while preserving the General Fund's current fund balance of \$27.8 million.

During fiscal year 2017, the City Council authorized \$110.1 million in new debt to finance improvements to the City's water transmission and distribution systems, wastewater projects, environmental cleanup, and renovations to an elementary school and various municipal structures. A portion of elementary school renovations will come from Massachusetts School Building Authority construction grants, while third-party settlements will fund part of the environmental cleanup. New debt issued during the year totaled \$27.5 million. At June 30, 2017, authorized and unissued debt stood at \$405.4 million.

Following the recommendations of the Massachusetts Department of Revenue, GASB, and the City's rating agencies, New Bedford adopted a formal capital improvement program (CIP) in fiscal year 2014 to coordinate community planning, financial capacity, and physical development requirements. The CIP has been updated each year, with the \$54.4 million 2017-2021 program incorporating capital needs assessments provided by each department that resulted in the prioritization of 20 projects. Of the total, \$25.2 million is allocated for major renovations and/or replacements at general government facilities, \$10.6 million for capital asset preservation projects for public safety and public use buildings, \$10.2 million for school projects, and the balance of \$8.4 million for ongoing replacement of capital vehicles and general fleet replacement. In total, 95% of the 2017-2021

CIP will be funded through bonds and lease-purchase debt, with the remainder covered by grants and annual appropriations.

In November 2014, voters approved adoption of the Community Preservation Act (CPA), which authorized the City to levy a 1.5% surcharge on its real property tax levy, dedicate revenue other than from state or federal funds, and to receive state matching funds for: (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing; and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. Appropriation and expenditure of CPA funds is overseen by the City's Community Preservation Committee (CPC), whose members were appointed in May 2016. The City began collecting the CPA surcharge in fiscal year 2016. Total collections through June 30, 2017 were \$1.9 million, including \$0.2 million from state matching funds, all of which are recorded in a separate special revenue fund. The CPC has fully appropriated the fund's fund balance, but no expenditures were incurred prior to June 30, 2017.

### **Other Relevant Financial Policies**

Approximately 3,000 City employees, or 95% of its total workforce, are represented by one of eight collective bargaining units. As of June 30, 2017, three units were working under agreements that expire in 2018 or 2019, while one agreement expired on that date. Of the remaining four, two were settled early in fiscal year 2018 with three-year contracts extending to 2019, while two are still under negotiation.

Since Mayor Mitchell took office in 2012, the City has adopted a comprehensive set of financial policies addressing investments, debt issuance and management, fund balance management, and travel and entertainment costs. In 2014 the City implemented its CIP along with a performance measurement program intended to enhance accountability in City operations that directly contributed to the creation of an award-winning budget document mentioned below. In 2015, the City established and seeded a trust fund for other post-employment benefits (OPEB), and in 2016 adopted a policy of appropriating at least 10% of annually-certified free cash toward it.

### **Awards**

The City received its first GFOA Award for Distinguished Budget Presentation for its fiscal year ending June 30, 2017. The City's budget was judged to be proficient in several categories as a policy document, financial plan, operations guide, and a communications device. Only 24 Massachusetts governmental units, and 1,623 entities nationwide, received the award for fiscal years beginning in 2016. The award represented a significant achievement and reflected management's ongoing efforts to improve business operations and increase transparency in city finances. The City has submitted its fiscal year ending June 30, 2018 budget to the GFOA and is confident of a repeat award.

Following the success of its budget document, management has prepared this first-ever CAFR for the City's fiscal year ended June 30, 2017 in accordance with the rigorous standards published by the GFOA for its Certificate of Achievement for Excellence in Financial Reporting award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable state and local reporting requirements. With its reporting model now in place, the City plans to submit its CAFR for the fiscal year ending June 30, 2018 to the GFOA with expectations of receiving the Certificate of Excellence in Financial Reporting award.

## Acknowledgements

We would like to express our combined offices' appreciation to the administration of the City of New Bedford for providing the support and resources to make the preparation of this CAFR possible, and to the Finance team and individual departments within the City, as well as to the staffs of each component unit, for their considerable contributions of time and content. We also wish to thank the professional staff of Hague, Sahady & Co. CPAs, P.C. for their many years of counseling, technical assistance, and continued support that have proven to be the cornerstone of this report. Finally, we would like to thank the many Federal, state, and local recipients of this report for your continued interest in the financial operations of the City.

The annual financial reports and/or CAFRs of the City for fiscal year 2009 through fiscal year 2017 are featured on the City's web page <http://www.newbedford-ma.gov/auditors-office/annual-financial-reports/>.

Respectfully submitted,

*Ari J. Sky*

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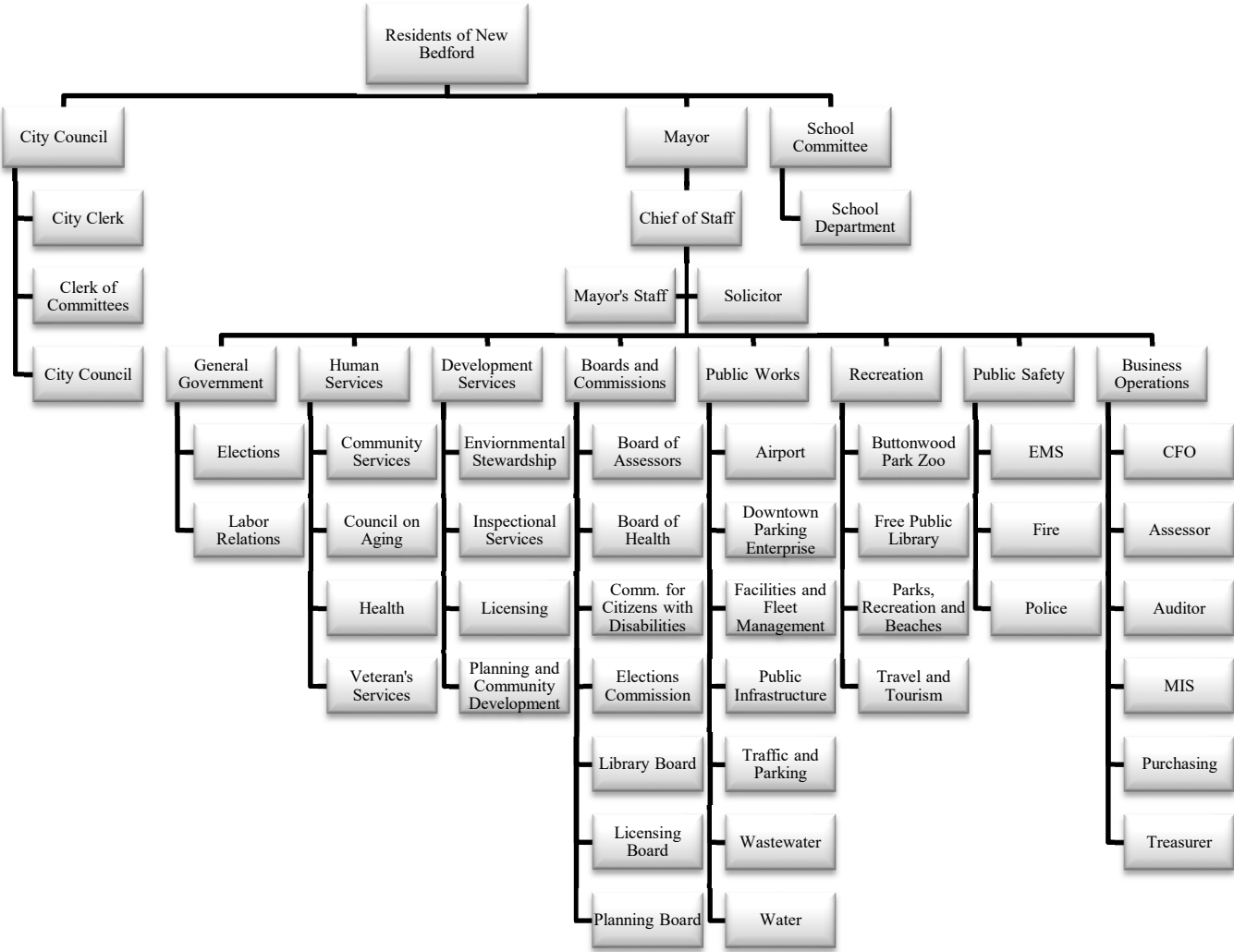
Ari J. Sky  
Chief Financial Officer

*Robert W. Ekstrom*

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Robert W. Ekstrom  
City Auditor

Organizational Chart of the City Government



## List of Elected and Appointed Officials

(as of June 30, 2017)

### Mayor

Jonathan F. Mitchell

### City Council Members

Joseph P. Lopes	City Council President (Ward 6)
Ian Abreu	Councilor at Large
Naomi R.A. Carney	Councilor at Large
Debora Coelho	Councilor at Large
Brian K. Gomes	Councilor at Large
Linda M. Morad	Councilor at Large
James D. Oliveira	Ward 1
Steven Martins	Ward 2
Hugh Dunn	Ward 3
Dana Rebeiro	Ward 4
Kerry Winterson	Ward 5

### School Committee Members

Jonathan F. Mitchell	Chairperson, Ex-officio
Joshua Amaral	Vice Chairperson
Christopher A. Cotter	Committee Member
Lawrence J. Finnerty, Ph. D.	Committee Member
Joaquim B. Livramento, Jr.	Committee Member
Joaquim Nobrega	Committee Member
Bruce J. Oliveira	Committee Member

### Appointed Administrative Officers, General Government

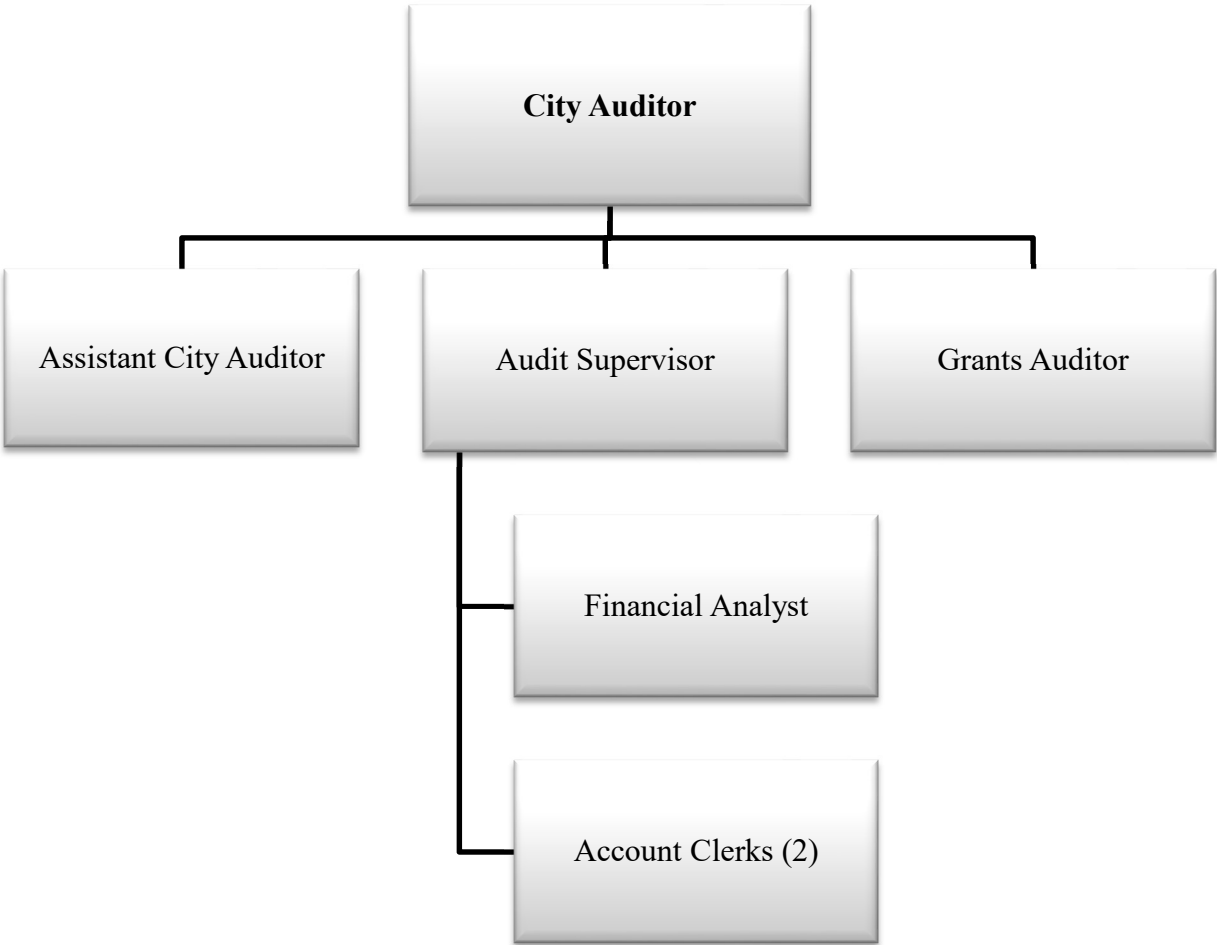
Ari J. Sky	Chief Financial Officer
Mikaela McDermott	City Solicitor
Dennis W. Farias	City Clerk
R. Renee Fernandes	City Treasurer and Collector
Robert W. Ekstrom	City Auditor

### Appointed Administrative Officers, School Department

Pia Durkin, Ph. D.	Superintendent of Schools
Andrew O'Leary	Business Manager



**Organizational Chart of the Auditing Department**



**List of Auditing Department Personnel****Robert Ekstrom**, *City Auditor*

Brennan Morsette

Ana de Barros

Jennifer Vieira

Teresa Alves

Kathleen Savage

Sonia Monchique

Assistant City Auditor

Grants Auditor

Audit Supervisor

Account Clerk

Account Clerk

Financial Analyst

## **FINANCIAL SECTION**

(Independent Auditor's Report, Basic Financial Statements, Required  
Supplementary Information and Supplementary Information)

# HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
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Fall River, MA 02720  
TEL. (508) 675-7889  
FAX (508) 675-7859  
[www.hague-sahady.com](http://www.hague-sahady.com)

To the Honorable Mayor and Members of the City Council  
City of New Bedford, Massachusetts

## Independent Auditor's Report

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental fund, each major enterprise fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts ("the City"), as of and for the year ended June 30, 2017 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*

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.

### *Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental fund, each major enterprise fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under Required Supplementary Information in the table of contents 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 sufficient evidence 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 introductory section, combining, individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2018, on our consideration of the City of New Bedford, Massachusetts' 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 of New Bedford, Massachusetts' internal control over financial reporting and compliance.

*Hague, Sahady & Co., CPAs, P.C.*

**Hague, Sahady & Co., CPAs, P.C.**  
Fall River, Massachusetts  
January 28, 2018

## Management's Discussion and Analysis

The management of the **City of New Bedford, Massachusetts** ("the City"), offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the statements.

### FINANCIAL Highlights:

- The City's government-wide level total net position increased \$17,515,761 for the fiscal year ended June 30, 2017, to a deficit of (\$76,803,245) at June 30, 2017. Of this amount, unrestricted net position accounted for a deficit of (\$394,793,715), primarily due to the recognition of more than \$474 million in non-current liabilities for net OPEB obligation (NOO) and net pension liability (NPL) under the requirements of GASB Statement No. 45 and 68, respectively.
- The City's Governmental Funds total net position increased \$8,317,410, or 19%, to \$51,255,979 at June 30, 2017. Of this amount, General Fund net position increased \$68,045, or 0.24%, to \$27,978,085 at June 30, 2017, representing 8.2% of total General Fund expenditures.
- The City's total long term debt (including compensated absences and capital lease liabilities) increased by \$1,547,501 from \$240,924,037 to \$242,471,538 during the current fiscal year. The key factors in this increase are that the City has incurred new debt totaling \$20,872,335, pay downs were made totaling \$16,482,309 and the state subsidized principal payments totaled \$2,937,525 through the Massachusetts Water Pollution Trust.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 the City's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** - Governmental activities of the City such as general government, public works, public safety, education, community and economic development, and culture and recreation are reported here. Property taxes, state aid, local fees and charges finance most of these activities.
- **Business-type activities** - Business-type activities of the City such as water, airport, and the downtown parking fund are reported here. Charges for services finance most of these activities.
- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are four legally separate component unit entities included in this report, which are the Greater New Bedford Regional Refuse Management District, the Harbor Development Corporation, the Greater New Bedford Workforce Investment Board, the New Bedford Redevelopment Authority. The New Bedford Contributory Retirement System is presented as a fiduciary fund and is not considered to be a blended or discrete component unit based on management's review of existing GASB guidance.

**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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds for the City consist of the pension trust fund,

the private purpose trust funds and the agency funds. The proprietary funds for the City are the water, airport, downtown parking, and internal service or medical claims trust funds. All other activities of the City are included in the governmental 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, government 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 the evaluation of 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 the comparison between *governmental funds* and *governmental activities*.

The City maintains many governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and wastewater fund which are considered major funds. Data from all of the other governmental funds, which are considered non-major funds, are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements, which are not required but are supplementary information.

The City adopts an annual budget for its general and wastewater funds. A budgetary comparison statement has been provided to demonstrate compliance with those budgets.

**Proprietary funds:** The City maintains three different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, airport and downtown parking operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal services funds to account for the purchasing of supplies, medical and life insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The accrual basis of accounting is used for the proprietary fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the water, airport and downtown parking operations as well as the internal service fund. The water fund is presented as major funds, while the airport and downtown parking, and internal service funds are presented as non-major funds.

The City adopts an annual budget for its water, airport and downtown parking funds. A budgetary comparison statement has been provided to demonstrate compliance with those budgets.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is the accrual basis of accounting.

**Notes to the 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 and other supplementary information concerning all legally adopted budgets. The City appropriates an annual appropriation budget for the general, water, airport, downtown parking and wastewater funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$76,803,246 as of June 30, 2017 and \$94,319,006 as of June 30, 2016.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress, etc.) less any related debt used to acquire

those assets that is still outstanding. The City uses these capital assets to provide services to its residents; consequently, these assets are *not* available for future spending. Although the City's investment in its 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.

The City's unrestricted net position is negative as of June 30, 2017, mainly as a result of increasing OPEB liabilities in accordance with the City's amortization schedule (for more information see Note 10 to the financial statements) as well as the implementation of GASB Statement No. 68 starting with fiscal year 2015 (for more information see Note 9 to the financial statements).

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

An additional portion of the City's net position (\$42,455,750) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (a deficit of \$394,793,715) may be used to meet the City's ongoing obligations to citizens and creditors.

The strength of the City is dependent upon the willingness of the citizenry to pay their bills when they are due, and the diligence of the Tax Collector to ensure that everyone complies with such dealings. As of June 30, 2017 and June 30, 2016 cash and investments of the primary government consisted of \$106,213,577 and \$111,028,297 respectively.

At the end of fiscal year 2017, the City was not able to report positive balances in all three categories of net position for its governmental activities, largely in part to a growing GASB Statement No. 45 liability which requires the City recognize an additional post employment benefit obligation on an annual basis. Additionally, GASB Statement No. 68 requires the City to record its proportionate share of the Retirement System's net pension liability. For year ended 2017, the City was not able to report positive balances in all three categories of net position for its business-type activities, also due to the rising GASB Statement No. 45 net OPEB obligation and the recording of the changes in the net pension liability as required by GASB Statement No. 68.

### **Discussion on Other Post Employment Benefits**

The City of New Bedford utilizes the Management Discussion and Analysis to inform readers of the financial statements about relevant fiscal information which includes the potential liability associated with Other Post Employment Benefits (OPEB) for its employees. The estimated liability associated with OPEB was calculated in compliance with GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, by Sherman Actuarial Services, LLC, an actuarial firm hired by the City of New Bedford. A number of factors drive the potential cost of OPEB liability. As required by GASB 45 an actuarial update is performed every two years. The updated study also performed by Sherman Actuarial Services, LLC indicates that as of July 1, 2016, the total Unfunded Actuarial Accrued Liability ("UAAL") was \$486.3 million.

Because the City of New Bedford was unable fund the annual required contribution ("ARC") into a trust, the actuarial study assumed an amortization period of 30 years as of July 1, 2016 for this valuation and for all future valuations. The \$181 million net OPEB obligation ("NOO") that appears on the balance sheet of these financials (i.e. on the Government-Wide Statement of Net Position) is the cumulative amount of NOO based on the most recent report and data set; it is a portion of the overall \$486.3 million that is reported in the actuarial study. According to the July 1, 2016 study, the City's OPEB Cost (i.e. the ARC) for fiscal 2017 is \$32.7 million. The City is also able to take credit for the actuarial value of payments it made (i.e. the attributed premiums paid) in the amount of \$17.1 million and did contribute \$270,000 as an investment into the State Retiree Benefits Trust ("SRBT") during fiscal year 2017. The \$17.1 million of payments during fiscal 2017 include an actuarially calculated "implicit subsidy" associated with covering retirees. The net OPEB obligation (NOO) is the difference between the ARC (\$32.7 million) and the attributed premiums paid (\$17.1 million) plus the cash contributions to the OPEB trust. This totals \$15.3 million, which is equal to the increase in the liability for OPEB within the fiscal year 2017 financial statements. Please refer to Note 10 of the financial statements for more detailed information.

Readers of these statements must keep in mind that the liability associated with OPEB is based on an actuarial study and represents an estimate for future potential liability based on a set of known factors at the time the study is completed; thus policy changes relative to OPEB would have an effect on the Unfunded Accrued Liability. A copy of the Other Post-Employment Benefit Actuarial Valuation dated July 1, 2016 utilized in these financial statements is available by contacting the Office of the Chief Financial Officer, 133 William Street, New Bedford, MA 02740.



## Net Position for the period ending June 30, 2017 and June 30, 2016 (Government-wide level)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current assets	\$ 176,503,944	\$ 183,225,994	\$ 10,267,792	\$ 10,249,185	\$ 186,771,736	\$ 193,475,179
Long-term assets	40,730,550	46,048,078	326,872	362,395	41,057,422	46,410,473
Capital assets	417,603,458	377,876,598	77,474,995	80,051,740	495,078,453	457,928,338
Total assets	634,837,952	607,150,670	88,069,659	90,663,320	722,907,611	697,813,990
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
GASB 68 - Differences between expected and actual experience	19,414,202	26,596,486	1,021,800	1,399,815	20,436,002	27,996,301
Deferred asset advance refunding, net amortization	1,560,046	201,070	-	-	1,560,046	201,070
Total deferred outflows of resources	20,974,248	26,797,556	1,021,800	1,399,815	21,996,048	28,197,371
Total assets and deferred outflows of resources	\$ 655,812,200	\$ 633,948,226	\$ 89,091,459	\$ 92,063,135	\$ 744,903,659	\$ 726,011,361
<b>LIABILITIES</b>						
Current liabilities	\$ 105,902,882	\$ 117,954,448	\$ 4,897,869	\$ 2,969,284	\$ 110,800,751	\$ 120,923,732
Long-term liabilities	657,183,271	642,793,351	41,295,006	42,376,360	698,478,277	685,169,711
Total liabilities	763,086,153	760,747,799	46,192,875	45,345,644	809,279,028	806,093,443
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total governmental activities	11,806,482	13,525,077	-	-	11,806,482	13,525,077
Total business-type activities	-	-	621,394	711,847	621,394	711,847
Total deferred inflows of resources	11,806,482	13,525,077	621,394	711,847	12,427,876	14,236,924
<b>NET POSITION</b>						
Investments in capital assets (net of debt)	223,596,765	175,951,450	51,937,955	53,776,776	275,534,720	229,728,226
Restricted	38,790,029	31,303,068	3,665,721	4,490,037	42,455,750	35,793,105
Unrestricted	(381,467,229)	(347,579,168)	(13,326,486)	(12,261,169)	(394,793,715)	(359,840,337)
Total net position	(119,080,435)	(140,324,650)	42,277,190	46,005,644	(76,803,245)	(94,319,006)
Total liabilities, deferred inflows of resources and net position	\$ 655,812,200	\$ 633,948,226	\$ 89,091,459	\$ 92,063,135	\$ 744,903,659	\$ 726,011,361

**Governmental activities:** Governmental activities increased the City's net position by \$21,244,215 for fiscal year ended June 30, 2017.

**Business-type activities:** Business-type activities decreased the City's net position by \$(3,728,454) for 2017.

Key elements of these increases/(decreases) are documented on the following pages:

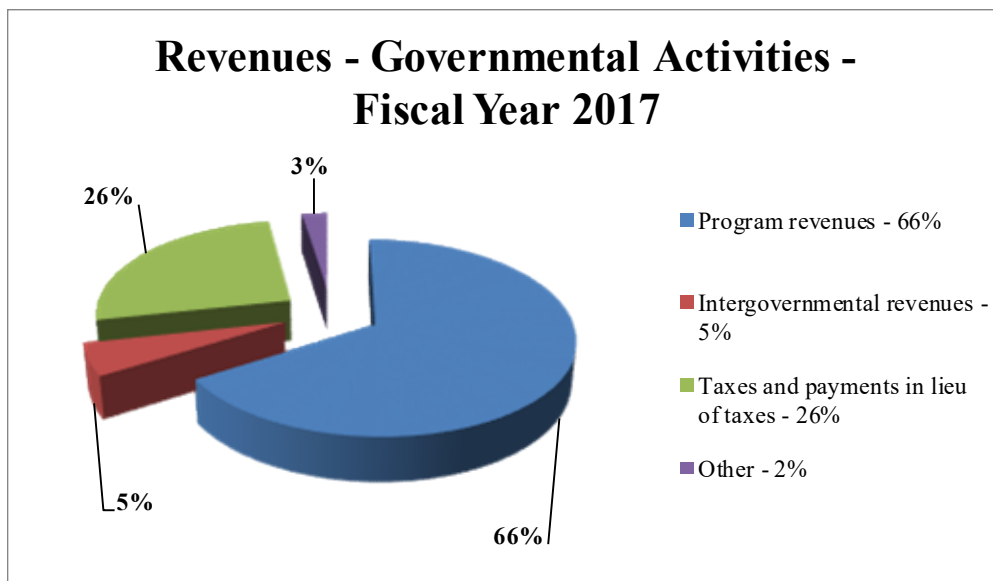
## Changes in Net Position for the period ending June 30, 2017 and June 30, 2016 (Government-wide level)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program revenues:						
Charges for service	\$ 56,844,280	\$ 51,764,265	\$ 13,995,590	\$ 14,406,095	\$ 70,839,870	\$ 66,170,360
Operating grants & contributions	202,594,871	186,105,062	103,266	112,737	202,698,137	186,217,799
Capital grants & contributions	39,122,840	16,772,965	-	-	39,122,840	16,772,965
General revenues:						
Property taxes	108,897,622	102,644,537	-	-	108,897,622	102,644,537
Motor vehicle excise	7,878,858	8,491,077	-	-	7,878,858	8,491,077
Tax liens, fines & other	6,273,349	7,459,544	-	-	6,273,349	7,459,544
Intergovernmental	24,386,847	24,023,561	-	-	24,386,847	24,023,561
Earnings on investments	878,332	668,425	(9,068)	269,065	869,264	937,490
Other	4,048,109	2,483,472	67,366	112,807	4,115,475	2,596,279
Total revenues	450,925,108	400,412,908	14,157,154	14,900,704	465,082,262	415,313,612

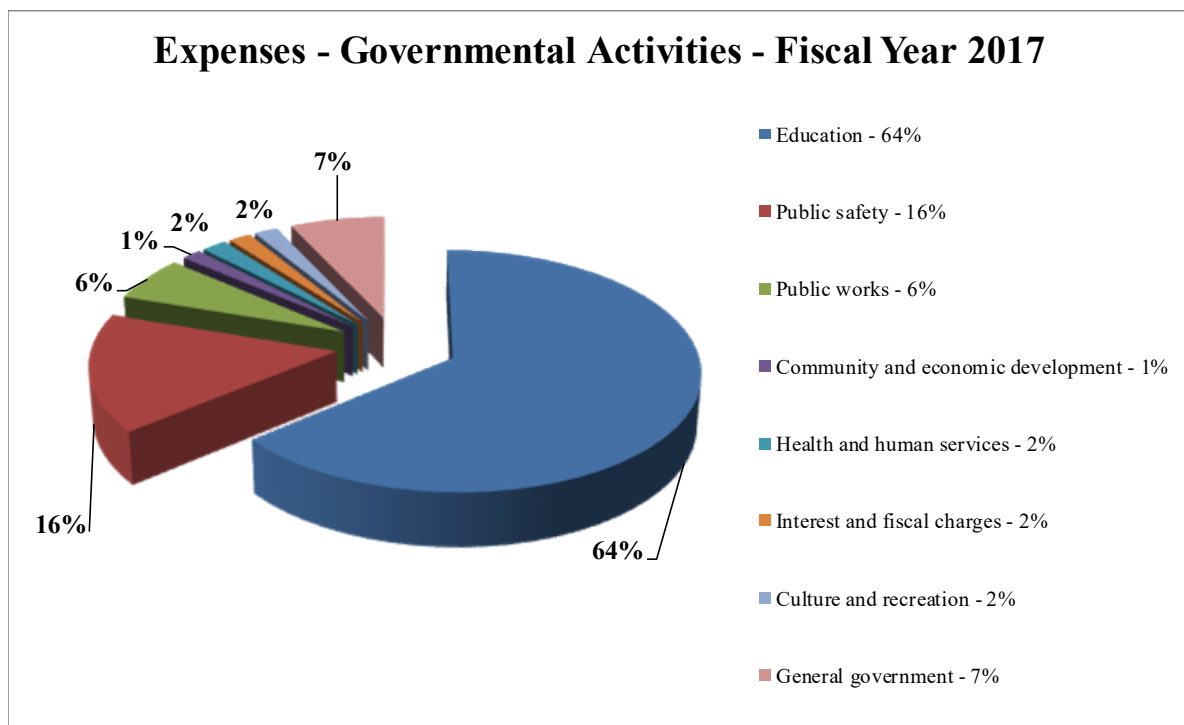
**Changes in Net Position for the period ending June 30, 2017 and June 30, 2016 (Government-wide level) - continued**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>PROGRAM EXPENSES</b>						
General government	\$ 30,786,610	\$ 19,599,784	\$ -	\$ -	\$ 30,786,610	\$ 19,599,784
Public safety	70,242,636	73,006,134	-	-	70,242,636	73,006,134
Public works	26,467,868	34,771,249	-	-	26,467,868	34,771,249
Education	279,231,909	242,505,021	-	-	279,231,909	242,505,021
Community and economic development	6,448,382	5,293,557	-	-	6,448,382	5,293,557
Health & human services	8,154,854	8,265,513	-	-	8,154,854	8,265,513
Municipal airport	73,228	3,073,279	-	-	73,228	3,073,279
Culture and recreation	7,662,237	7,795,457	-	-	7,662,237	7,795,457
Debt service (interest)	7,237,267	7,312,597	-	-	7,237,267	7,312,597
Downtown Parking (enterprise)	-	-	611,024	574,498	611,024	574,498
Water (enterprise)	-	-	9,325,716	10,659,596	9,325,716	10,659,596
Airport (enterprise)	-	-	2,511,937	2,260,833	2,511,937	2,260,833
<b>Total program expenses</b>	<b>436,304,991</b>	<b>401,622,591</b>	<b>12,448,677</b>	<b>13,494,927</b>	<b>448,753,668</b>	<b>415,117,518</b>
<b>Increase (decrease) in net position before transfers</b>	<b>14,620,117</b>	<b>(1,209,683)</b>	<b>1,708,477</b>	<b>1,405,777</b>	<b>16,328,594</b>	<b>196,094</b>
<b>TRANSFERS/SPECIAL ITEMS</b>						
Transfers of capital assets (net of debt) from governmental activities	(123,656)	474,954	123,656	(474,954)	-	-
Net transfers between funds	5,290,587	1,549,303	(5,560,587)	(2,308,786)	(270,000)	(759,483)
Special item - insurance proceeds	66,167	13,659	-	-	66,167	13,659
Special item - loan forgiveness	716,768	216,481	-	-	716,768	216,481
Special item - bond premiums	357,323	991,322	-	-	357,323	991,322
Special item - bond proceeds	1,177,024	-	-	-	1,177,024	-
Proceeds from advance refunding	1,551,482	3,074,146	-	-	1,551,482	3,074,146
Capital lease proceeds	(2,411,597)	(14,640,615)	-	-	(2,411,597)	(14,640,615)
<b>Increases (decrease) in net position</b>	<b>21,244,215</b>	<b>(9,530,433)</b>	<b>(3,728,454)</b>	<b>(1,377,963)</b>	<b>17,515,761</b>	<b>(10,908,396)</b>
<b>Net position - beginning</b>	<b>(140,324,650)</b>	<b>(130,794,217)</b>	<b>46,005,644</b>	<b>47,383,607</b>	<b>(94,319,006)</b>	<b>(83,410,610)</b>
<b>Net position - ending</b>	<b>\$ (119,080,435)</b>	<b>\$ (140,324,650)</b>	<b>\$ 42,277,190</b>	<b>\$ 46,005,644</b>	<b>\$ (76,803,245)</b>	<b>\$ (94,319,006)</b>

The majority of general revenues are tax collections from the City's taxpayers. This amount represented 76.6% of the total general revenues of \$152 million. The operating grants are also a significant source of revenue for the City. The total operating grants for fiscal year ended June 30, 2017 amounted to \$202 million of which \$189 million were received for education.



The most significant expense of the City is education which represented 64% of total expenses, followed by public safety at 16%.



#### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported combined ending fund balances of \$51,255,979 for fiscal year ended June 30, 2017 and \$42,938,579 for fiscal year ended June 30, 2016. This increase in fiscal year ended June 30, 2017, totaling \$8,317,400 is primarily due to the performance of the special revenue funds, which had a change in net position of \$4,533,922.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. These components deficit the relative strength of the spending constraints placed on the purposes for which resources can be used. Please refer to Note 1 "Summary of

Significant Accounting Policies” for definitions of fund balance components under the new standard.

Additionally, under the GASB Statement No. 54, the City’s stabilization funds are reported within the general funds as committed for economic stabilization purposes upon approval of the City Council. During fiscal year 2017, the stabilization fund earned \$83,346 of investment income and had transfers in of \$500,000 to finish the year with a fund balance of \$9,671,585. Of this total, \$8,356,240 was held in the “City” stabilization fund and \$1,315,345 was held in the “School” stabilization fund.

During 2017, the governmental funds reported amounts of \$6,654,600 within the nonspendable fund balance category, \$33,662,618 within the restricted fund balance category, \$14,648,762 within the committed fund category, \$151,704 within the assigned fund balance category and \$(3,861,705) within the unassigned fund balance category. Please refer to Note 16 “Fund Balance Classification Details” for a detailed breakdown of the components within each category.

**Proprietary funds.** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Internal Service Fund is categorized as a governmental activity because it services primarily governmental-type funds. The water, airport and downtown parking funds had net position of \$14,041,598, \$29,677,625 and \$(1,442,033) as of June 30, 2017 and \$17,207,487, \$30,270,942 and \$(1,472,785) as of June 30, 2016, respectively.

### Budgetary Highlights

*General Fund:* The major changes in both the revenue and expenditure categories (budget and actual) are briefly summarized as follows:

Budgetary changes (original budget versus final amended budget):

#### *Revenue and Other Sources:*

The total budgetary revenues were decreased by \$585,437 over the original budget. This decrease was a result of revised estimates of departmental revenues and non-recurring revenues.

The total budgetary sources increased by \$3,109,267 over the original budget. This increase in budgetary sources is as a result of increases in free cash used of \$2,816,059.

#### *Expenditures and Other Uses:*

The total budgetary expenditures were increased by \$2,523,830 over the original budget. These increases were as a result of the use of certified free cash. Three areas shared in most of this increase as follows: \$710,905 in the Fire Department, \$939,999 in General Government and General Government Unclassified and \$900,000 in the School Department.

There were no budgetary uses in either the original or the final budgets.

The major differences between the *actual results* of the general fund and the *final amended budget* are as follows:

For the year ended June 30, 2017, actual results were \$2,452,037 favorable to budget, the combined effect of \$731,363 more in revenues and sources and \$1,720,674 less in expenditures and uses. Favorable results were primarily driven by:

- Property tax collections, net of refunds, of \$114.8 million, were \$1.9 million greater than budgeted. The budget represents the current year tax levy, the actual collections include collections against the current year levy plus collections on prior year levies.
- \$414,452 less in public works expenditures due to less than expected repairs and maintenance spending in both contractor and parts line items
- \$796,003 less in intergovernmental expenditures due to reductions in Charter School assessments as a result of decreased enrollment

### Capital Asset and Debt Administration

**Capital assets:** The City’s investment in capital assets for its governmental and business type activities as of June 30, 2017 amounted to \$495,078,453 (net of accumulated depreciation), an increase of 6% over the prior year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, construction in progress and animals, etc.

**Capital Assets Net of Accumulated Depreciation**  
**June 30, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,187,235	\$ 1,125,293	\$ 5,312,528	\$ 4,187,235	\$ 1,125,293	\$ 5,312,528
Easements	-	962,500	962,500	-	962,500	962,500
Construction in progress	51,632,433	-	51,632,433	19,340,332	-	19,340,332
Infrastructure in progress	15,637,514	657,802	16,295,316	13,301,998	2,486,096	15,788,094
Infrastructure, net	72,133,981	70,856,848	142,990,829	72,172,517	70,962,754	143,135,271
Land improvements, net	1,817,466	339,615	2,157,081	1,869,708	370,706	2,240,414
Buildings and improvements, net	256,102,265	1,810,339	257,912,604	251,508,543	1,726,915	253,235,458
Machinery and equipment, net	7,110,449	1,344,603	8,455,052	9,200,846	2,231,012	11,431,858
Office equipment and furniture, net	267,781	-	267,781	227,246	-	227,246
Computer equipment, net	3,979,331	-	3,979,331	3,261,950	-	3,261,950
Library books and textbooks, net	1,310,139	-	1,310,139	1,074,024	-	1,074,024
Automobiles, net	3,417,024	377,995	3,795,019	1,722,538	186,464	1,909,002
Animals, net	7,840	-	7,840	9,661	-	9,661
Total capital assets	\$ 417,603,458	\$ 77,474,995	\$ 495,078,453	\$ 377,876,598	\$ 80,051,740	\$ 457,928,338

Additional information on the City's capital assets can be found in Note of this report.

**Long-term debt:** Bonded debt outstanding as of June 30, 2017 totaled \$208,299,568, an increase of \$438,313 over the prior year. The full faith and credit of the City backs this entire amount. Of this amount \$25,479,875 relates to the business-type activities as of June 30, 2017. The following is a summary of the City's debt as of June 30, 2017:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 182,819,693	\$ 181,782,528	\$ 25,479,875	\$ 26,078,727	\$ 208,299,568	\$ 207,861,255
Notes payable and interim loans payable	35,696,514	47,824,604	-	-	35,696,514	47,824,604
Capital leases	17,781,082	16,688,491	57,165	389,540	17,838,247	17,078,031
Total	\$ 236,297,289	\$ 246,295,623	\$ 25,537,040	\$ 26,468,267	\$ 261,834,329	\$ 272,763,890

Additional information on the City's long-term debt can be found in Note 15 of this report.

In July of 2016, Standard and Poor's (S&P) reaffirmed New Bedford's AA- bond rating and the City has maintained the highest bond rating it has achieved in at least the last four decades. The AA- rating was first awarded to New Bedford in January 2014 and the reaffirmation of the rating puts New Bedford again among the top half of all issuers of municipal debt in the Commonwealth of Massachusetts.

### Economic Factors and Next Year's Budget and Rates

The modest growth in New Bedford's economy, which helped the City realize more revenue in fiscal year 2017 than was forecasted at the time fund budgets were adopted, is expected to continue through fiscal year 2018. These trends served as the basis for developing revenue forecasts to fund 2018 appropriations.

The City is required to legally adopt budgets for its General Fund and Wastewater Fund, each of which is reported as a governmental fund-type in the accompanying financial statements, and for its Water, Airport, and Downtown Parking enterprise funds, each of which is reported as a proprietary-fund-type. Economic factors do not generally affect funds beyond those under legal budgetary control because spending is capped to available revenue sources and the risk of shortfalls is greatly mitigated, so these funds will not be discussed further.

**General fund:**

In June 2017, the City Council adopted an annual expenditure budget that was \$11.1 million, or 3.6%, higher than the preceding year, primarily due to increases of \$4.5 million in education, \$3.5 million in healthcare costs, \$1.3 million in charter school costs, and \$1.0 million in pension assessments. Proposed funding for these increases will be primarily from additional property tax revenue and State aid.

Under Proposition 2½, Massachusetts communities cannot levy taxes in excess of 2.5% of assessed value (Levy Ceiling), nor can they increase tax levies by more than 2.5% each year, excluding new growth and certain overrides and exemptions (Levy Limit). In 2009, New Bedford experienced its first decline in property values of the new millennium. Property values continued to decline over the next five years as the City kept taxes flat and held spending in check, partially by deferring maintenance and capital investment. A collateral benefit of that recessionary period was the steady buildup in levy capacity to its peak of \$9.7 million in 2014, of which \$4.9 million still remained available heading into fiscal year 2018.

As of December 31, 2017, property values have now risen nearly 13% since 2014, including a 6.3% increase in just the past year. The City's total assessed value of \$5.89 billion is now at a seven-year high, reflecting both a strong real estate market and new growth, although it remains below the pre-recession high. Inventories of home sales, maintained by the Warren Group, indicated that the median home sale price was \$202,750 through the first 11 months of 2017, 10% over the same period in 2016. The number of new building permits issued, which has risen in each of the last three years, climbed 4.8% from fiscal year 2016 to 2017. New construction activity has now increased assessed property values by \$70 million and \$63 million in 2016 and 2017, respectively, which has added \$2.0 million of new growth to the tax levy beyond the 2.5% cap for each of the last two tax assessments. The tax levy as of December 31, 2017 now stands at \$119.96 million, up \$5.9 million, or 5.2%, over the preceding year, while untapped levy capacity of \$4.0 million remains available for future years.

State aid is expected to increase \$5.9 million in fiscal year 2018 of which \$5.5 million will be from Chapter 70 aid, reflecting both an increase in the per pupil aid funded in the state's fiscal year 2018 budget and the underlying increase in the City's education expenditures. Unrestricted general government aid is also increasing by \$0.9 million. Partially offsetting these, the State's continued failure to fully reimburse localities for charter school expenditures will result in a \$0.4 million decrease in offsetting funding. In addition, aid for urban redevelopment, of which \$0.3 million was expected in 2017, has been eliminated.

Finally, local receipts, which represent nearly 10% of all General Fund revenue, will increase by only \$0.2 million, or 0.5%, from fiscal year 2017. The City has a policy of conservatively forecasting local receipts, resulting in little to no new sources available to fund increased spending. Under the process established by Massachusetts law, tax levies and tax rates are not approved by the DLS until as late as six months into the new fiscal year, so conservative forecasting of local receipts reduces the likelihood that the tax levy contemplated during adoption of the expenditures budget in June will require an upward adjustment once reviewed by the DLS. Nevertheless, as the local economy continues to grow, so too will local receipts, many of which are based on volume. For instance, motor vehicle excise taxes, which account for one-quarter of local receipts, grew 11% in 2017 and, with the value of vehicles registered in the City continuing to rise, management expects continued growth in 2018. The aforementioned increases in healthcare will also drive health insurance chargebacks to other City agencies, which are a major component of local receipts.

**Wastewater fund:**

Fiscal year 2018 budgeted expenditures represent a \$0.4 million, or 2.0%, increase above 2017, nearly all of which is due to increased healthcare costs and an adjustment in the model of allocating general government costs to better reflect services received. The addition in appropriations will be funded by the second of three annual 8% across-the-board hikes to all base charges and commodity rates. The City Council approved the increases in June 2016, the first in Wastewater since 2008. The initial 8% increase became effective July 1, 2016, but was met with a 13% decline in usage that partially diminished its effects, as wastewater revenue rose by only 4.1%. With utilization largely inelastic, management anticipates the second annual 8% increase will not trigger any further usage decline, but has nonetheless capped the overall revenue increase to 2%.

**Enterprise funds:**

Budgeted expenditures in the City's Water Fund, which accounts for 88% of all enterprise funds' spending, are \$1.6 million, or 13.2%, higher than in fiscal year 2017, of which \$1.0 million is again due to increased healthcare costs and an adjustment in the model of allocating general government costs to better reflect services received. Coincidental with its June 2016 actions in Wastewater, the City Council also approved 11% across-the-board increases to all water rates for three consecutive years, beginning July 1, 2016. As commodity rates affect a larger composition of revenue in Water than in Wastewater, the 13% decline in consumption fully negated the first annual water rate increase, with revenues actually dropping 4% year-over-year. However, utilization is expected to stabilize in 2018 and, coupled with increased collection activity that will double water liens volume, an overall increase of 13% is forecast.

Airport expenditures will increase by \$0.2 million, or 19.5%, in fiscal year 2018 as the City completed FAA certifications to allow it to offer passenger jet service, which commenced in December 2017. Increased concession fees and lease income from additional hangars, all of which are now in place, will cover the increase.

In the Downtown Parking enterprise fund, expenditures will decrease \$0.1 million as the final payment under a lease-purchase agreement for new parking meters was made in 2017. Management anticipates an increase to monthly parking rates at the City's public garages to fund ongoing renovation costs, as well as additional cost control measures resulting from the implementation of self parking.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of New Bedford, Massachusetts' 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 the Office of the Chief Financial Officer, 133 Williams Street, New Bedford, Massachusetts 02740.

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## Statement of Net Position

### June 30, 2017

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse Management District	New Bedford Harbor Development Commission	Non Major Component Units	Total Component Units
<b>ASSETS</b>							
Current assets							
Unrestricted cash and investments	\$ 78,800,117	\$ 5,555,313	\$ 84,355,430	\$ 2,311,147	\$ 1,345,701	\$ 35,784	\$ 3,692,632
Restricted cash and investments	18,192,426	3,665,721	21,858,147	17,180,118	-	-	17,180,118
Accounts receivable, net of allowance	27,464,465	832,035	28,296,500	1,099,087	-	22,125	1,121,212
Taxes receivable, net	25,460,031	-	25,460,031	-	-	-	-
Loans receivable, net	19,383,975	-	19,383,975	-	-	-	-
Due from other funds	4,854,614	293	4,854,907	-	-	-	-
Due from other governments	-	-	-	39,977	446,476	471,608	958,061
Due from component units	1,500,816	-	1,500,816	-	-	-	-
Receivable from external parties	-	-	-	-	322,058	-	322,058
Inventories and prepaid expenses	739,862	214,430	954,292	314,978	-	2,837	317,815
Other assets - current	107,638	-	107,638	-	76,134	-	76,134
Total current assets	176,503,944	10,267,792	186,771,736	20,945,307	2,190,369	532,354	23,668,030
Non-current assets							
Other assets - noncurrent	-	-	-	439,427	-	-	439,427
MWPAT debt subsidy receivable	31,068,442	326,872	31,395,314	-	-	-	-
MSBA debt subsidy receivable	9,662,108	-	9,662,108	-	-	-	-
Capital assets:							
Not being depreciated:							
Land	4,187,235	1,125,293	5,312,528	5,960,163	42,000	862,869	6,865,032
Landfill in progress	-	-	-	6,222,638	-	-	6,222,638
Construction in progress	51,632,433	-	51,632,433	-	-	-	-
Infrastructure in progress	15,637,514	657,802	16,295,316	-	414,000	-	414,000
Easements	-	962,500	962,500	-	-	-	-
Depreciable capital assets:							
Land improvements, net	1,817,466	339,615	2,157,081	66,911	31,552,693	-	31,619,604
Infrastructure, net	72,133,981	70,856,848	142,990,829	-	-	-	-
Building and improvements, net	256,102,265	1,810,339	257,912,604	575,651	4,063,028	-	4,638,679
Office equipment and furniture, net	267,781	-	267,781	3,506	-	-	3,506
Computer equipment, net	3,979,331	-	3,979,331	-	-	-	-
Library books and textbooks, net	1,310,139	-	1,310,139	-	-	-	-
Automobiles, net	3,417,024	377,995	3,795,019	-	51,166	-	51,166
Machinery and equipment, net	7,110,449	1,344,603	8,455,052	871,419	1,327,341	-	2,198,760
Animals, net	7,840	-	7,840	-	-	-	-
Total capital assets	417,603,458	77,474,995	495,078,453	13,700,288	37,450,228	862,869	52,013,385
Total non-current assets	458,334,008	77,801,867	536,135,875	14,139,715	37,450,228	862,869	52,452,812
Total assets	634,837,952	88,069,659	722,907,611	35,085,022	39,640,597	1,395,223	76,120,842
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
GASB 68 - deferred outflows of resources	19,414,202	1,021,800	20,436,002	209,813	-	-	209,813
Deferred asset advance refunding, net of amortization	1,560,046	-	1,560,046	-	-	-	-
Total deferred outflows of resources	20,974,248	1,021,800	21,996,048	209,813	-	-	209,813
Total assets and deferred outflows of resources	\$ 655,812,200	\$ 89,091,459	\$ 744,903,659	\$ 35,294,835	\$ 39,640,597	\$ 1,395,223	\$ 76,330,655

See accompanying notes to the basic financial statements

	<i>Primary Government</i>			<i>Component Units</i>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Greater New Bedford Regional Refuse Management District</b>	<b>New Bedford Harbor Development Commission</b>	<b>Non Major Component Units</b>	<b>Total Component Units</b>
<b>LIABILITIES</b>							
Current liabilities							
Warrants payable	\$ 6,735,715	\$ 222,816	\$ 6,958,531	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	20,889,590	2,210,457	23,100,047	69,673	649,164	285,714	1,004,551
Retainage payable	1,772,562	-	1,772,562	74,898	-	-	74,898
Due to other governments	209	-	209	39,977	-	-	39,977
Due to primary government	-	-	-	-	50,000	650,930	700,930
Due to other funds	5,054,571	3,305	5,057,876	-	-	-	-
Accrued interest	1,496,116	166,513	1,662,629	-	-	-	-
Deposits held	3,722,324	-	3,722,324	6,536	38,835	15,000	60,371
Payroll withholdings	44,768	-	44,768	-	-	-	-
Other liabilities	3,778,053	111	3,778,164	-	-	-	-
Claims incurred but not reported	2,875,000	-	2,875,000	-	-	-	-
Bonds and notes payable	51,987,371	2,083,941	54,071,312	-	-	-	-
Capital leases	1,749,693	57,165	1,806,858	-	-	-	-
Workers' compensation claims	273,770	-	273,770	-	-	-	-
Compensated absences	5,523,140	153,561	5,676,701	-	23,152	19,745	42,897
Total current liabilities	105,902,882	4,897,869	110,800,751	191,084	761,151	971,389	1,923,624
Non-current liabilities							
Accrued closure/post-closure costs	-	-	-	5,461,135	-	-	5,461,135
Due to primary government	-	-	-	-	799,886	-	799,886
Bonds and notes payable	166,528,836	23,395,934	189,924,770	-	-	-	-
Net OPEB obligation (NOO)	178,500,425	2,917,402	181,417,827	56	363,388	-	363,444
Net pension liability (NPL)	278,317,145	14,648,271	292,965,416	3,007,830	-	-	3,007,830
Capital leases	16,031,389	-	16,031,389	-	-	-	-
Workers' compensation claims	7,548,217	-	7,548,217	-	-	-	-
Compensated absences	10,257,259	333,399	10,590,658	-	92,608	-	92,608
Total non-current liabilities	657,183,271	41,295,006	698,478,277	8,469,021	1,255,882	-	9,724,903
Total liabilities	763,086,153	46,192,875	809,279,028	8,660,105	2,017,033	971,389	11,648,527
<b>DEFERRED INFLOWS OF RESOURCES</b>							
GASB 68 - deferred inflows of resources	11,806,482	621,394	12,427,876	127,595	-	-	127,595
Other unearned revenues (component unit)	-	-	-	242,201	21,189	-	263,390
Unearned dockage revenues (component unit)	-	-	-	-	516,079	53,603	569,682
Total deferred inflows of resources	11,806,482	621,394	12,427,876	369,796	537,268	53,603	960,667
<b>NET POSITION</b>							
Invested in capital assets, net of related debt	223,596,765	51,937,955	275,534,720	14,139,715	37,450,228	862,869	52,452,812
Restricted	38,790,029	3,665,721	42,455,750	11,569,346	7,823	-	11,577,169
Unrestricted	(381,467,229)	(13,326,486)	(394,793,715)	555,873	(371,755)	(492,638)	(308,520)
Total net position	(119,080,435)	42,277,190	(76,803,245)	26,264,934	37,086,296	370,231	63,721,461
Total liabilities, deferred inflows of resources and net position	\$ 655,812,200	\$ 89,091,459	\$ 744,903,659	\$ 35,294,835	\$ 39,640,597	\$ 1,395,223	\$ 76,330,655

*See accompanying notes to the basic financial statements*

**Statement of Activities**  
Year Ended June 30, 2017

			Program Revenues		
			Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Indirect Expense Allocation			
<b>Governmental Activities:</b>					
General government	\$ 27,658,993	\$ 3,127,617	\$ 13,279,025	\$ 2,185,929	\$ 547,090
Public safety	57,205,582	13,037,054	11,041,992	3,278,912	-
Public works	25,111,504	1,356,364	22,092,522	557,550	8,623,843
Health and human services	7,516,565	638,289	1,073,056	1,128,792	-
Education	245,131,316	34,100,593	9,266,219	189,341,243	28,775,774
Community and economic development	6,448,382	-	(792,643)	5,354,414	-
Culture and recreation	6,731,399	930,838	871,145	350,487	-
Municipal airport	73,228	-	12,964	397,544	1,176,133
Health and other insurance	53,190,755	(53,190,755)	-	-	-
Debt service:					
Interest expense	7,237,267	-	-	-	-
Total governmental activities	436,304,991	-	56,844,280	202,594,871	39,122,840
<b>Business-Type Activities:</b>					
Water	9,325,716	-	12,293,768	103,266	-
Non-major enterprise funds	3,122,961	-	1,701,822	-	-
Total business-type activities	12,448,677	-	13,995,590	103,266	-
Total primary government	448,753,668	-	70,839,870	202,698,137	39,122,840
<b>Component Units:</b>					
Greater NB Regional Refuse Management District	2,394,796	-	5,770,287	-	-
New Bedford Harbor Development Commission	4,083,284	-	2,340,089	349,475	533,201
Non-major component units	3,727,599	-	9,000	3,642,415	-
Total component units	10,205,679	-	8,119,376	3,991,890	533,201
Total City of New Bedford	\$ 458,959,347	\$ -	\$ 78,959,246	\$ 206,690,027	\$ 39,656,041

*See accompanying notes to the basic financial statements*

	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse District	New Bedford Harbor Development Commission	Nonmajor Component Units	Total Component Units
<b>Governmental Activities:</b>							
General government	\$ (14,774,566)	\$ -	\$ (14,774,566)	\$ -	\$ -	\$ -	\$ -
Public safety	(55,921,732)	-	(55,921,732)	-	-	-	-
Public works	4,806,047	-	4,806,047	-	-	-	-
Health and human services	(5,953,006)	-	(5,953,006)	-	-	-	-
Education	(51,848,673)	-	(51,848,673)	-	-	-	-
Community and economic development	(1,886,611)	-	(1,886,611)	-	-	-	-
Culture and recreation	(6,440,605)	-	(6,440,605)	-	-	-	-
Municipal airport	1,513,413	-	1,513,413	-	-	-	-
Health and other insurance	-	-	-	-	-	-	-
Debt service:							
Interest expense	(7,237,267)	-	(7,237,267)	-	-	-	-
Total governmental activities	(137,743,000)	-	(137,743,000)	-	-	-	-
<b>Business-Type Activities:</b>							
Water	-	3,071,318	3,071,318	-	-	-	-
Non-major enterprise funds	-	(1,421,139)	(1,421,139)	-	-	-	-
Total business-type activities	-	1,650,179	1,650,179	-	-	-	-
Total primary government	(137,743,000)	1,650,179	(136,092,821)	-	-	-	-
<b>Component Units:</b>							
Greater NB Regional Refuse Management District	-	-	-	3,375,491	-	-	3,375,491
New Bedford Harbor Development Commission	-	-	-	-	(860,519)	-	(860,519)
Non-major component units	-	-	-	-	-	(76,184)	(76,184)
Total component units	-	-	-	3,375,491	(860,519)	(76,184)	2,438,788
Total City of New Bedford	\$ (137,743,000)	\$ 1,650,179	\$ (136,092,821)	\$ 3,375,491	\$ (860,519)	\$ (76,184)	\$ 2,438,788
<b>General revenues:</b>							
Property taxes, net abatements	108,897,622	-	108,897,622	-	-	-	-
Motor vehicle and other excise taxes	7,878,858	-	7,878,858	-	-	-	-
Distribution - lottery	22,118,299	-	22,118,299	-	-	-	-
Exemptions	2,254,878	-	2,254,878	-	-	-	-
State owned land	13,670	-	13,670	-	-	-	-
Tax foreclosures	3,458,518	-	3,458,518	-	-	-	-
Penalties and interest on taxes	2,510,437	-	2,510,437	-	-	-	-
Earnings on investments	878,332	(9,068)	869,264	303,207	-	615	303,822
Payments in lieu of taxes	304,394	-	304,394	-	-	-	-
Miscellaneous	4,048,109	67,366	4,115,475	-	8	-	8
Total general revenues	152,363,117	58,298	152,421,415	303,207	8	615	303,830
<b>Transfers/special items:</b>							
Transfers between funds - operating	4,790,587	(3,560,587)	1,230,000	-	-	-	-
Transfer of capital asset - airport	(1,250,715)	1,250,715	-	-	-	-	-
Transfer of capital asset - water	1,127,059	(1,127,059)	-	-	-	-	-
Net transfers to water stabilization fund	-	(2,000,000)	(2,000,000)	-	-	-	-
Net transfers to stabilization funds	500,000	-	500,000	-	-	-	-
Special item - proceeds from advance refunding	1,551,482	-	1,551,482	-	-	-	-
Special item - loan forgiveness	716,768	-	716,768	-	-	-	-
Special item - insurance proceeds	66,167	-	66,167	-	-	-	-
Special item - bond premiums	357,323	-	357,323	-	-	-	-
Special item - bond proceeds	1,177,024	-	1,177,024	-	-	-	-
Special item - capital lease proceeds	(2,411,597)	-	(2,411,597)	-	-	-	-
Change in net position	21,244,215	(3,728,454)	17,515,761	3,678,698	(860,511)	(75,569)	2,742,618
Net position - beginning	(140,324,650)	46,005,644	(94,319,006)	22,586,236	37,946,807	445,800	60,978,843
Net position - ending	\$ (119,080,435)	\$ 42,277,190	\$ (76,803,245)	\$ 26,264,934	\$ 37,086,296	\$ 370,231	\$ 63,721,461

See accompanying notes to the basic financial statements

**Balance Sheet - Governmental Funds**

June 30, 2017

	<b>Major Fund General Fund</b>	<b>Major Fund Wastewater</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments, unrestricted	\$ 26,616,924	\$ 6,821,285	\$ 39,222,344	\$ 72,660,553
Cash, restricted	9,671,585	3,393,430	5,127,411	18,192,426
Receivables, net:				
Real estate and personal property taxes	4,130,890	-	-	4,130,890
Tax liens and foreclosures	21,213,470	-	-	21,213,470
Motor vehicle and boat excise	1,951,307	-	-	1,951,307
User charges receivables	-	2,338,655	-	2,338,655
Departmental and other	6,491,528	111,067	-	6,602,595
Loans receivable	-	-	20,800,686	20,800,686
Other receivables	426,504	42,237	2,335,658	2,804,399
Special assessments	6,924	103,638	-	110,562
Due from federal or state government	18,095	-	17,591,427	17,609,522
Due from other funds	1,639,555	21,003	3,010,915	4,671,473
Intraentity receivable	1,500,816	-	-	1,500,816
Inventories	-	26,373	-	26,373
Prepaid assets	-	466,571	-	466,571
Land inventory	-	-	246,918	246,918
	<u>73,667,598</u>	<u>13,324,259</u>	<u>88,335,359</u>	<u>175,327,216</u>
Total assets				
	<u>73,667,598</u>	<u>13,324,259</u>	<u>88,335,359</u>	<u>175,327,216</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources				
	<u>\$ 73,667,598</u>	<u>\$ 13,324,259</u>	<u>\$ 88,335,359</u>	<u>\$ 175,327,216</u>

*See accompanying notes to the basic financial statements*

	<b>Major Fund General Fund</b>	<b>Major Fund Wastewater</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 1,598,585	\$ 552,462	\$ 4,584,668	\$ 6,735,715
Accounts payable and accrued expenses	14,359,088	365,757	5,810,538	20,535,383
Retainage payable	-	-	1,772,562	1,772,562
Bonds and notes payable	-	-	35,696,514	35,696,514
Due to other funds	3,294,970	1,485,717	19,528	4,800,215
Deposits held	452,845	499,862	2,769,617	3,722,324
Due to other governments	-	-	209	209
Payroll withholdings	44,768	-	-	44,768
Other liabilities	351,694	26,339	20	378,053
Total liabilities	20,101,950	2,930,137	50,653,656	73,685,743
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property and excise tax revenues	18,275,159	-	-	18,275,159
Deferred departmental and other receipts	7,312,404	-	154,176	7,466,580
Deferred user fees, fines and charges for service	-	2,442,293	-	2,442,293
Unearned grant income	-	-	1,400,776	1,400,776
Unearned loan income	-	-	20,800,686	20,800,686
Total deferred inflows of resources	25,587,563	2,442,293	22,355,638	50,385,494
<b>FUND BALANCE</b>				
Nonspendable	1,500,816	26,373	5,127,411	6,654,600
Restricted	-	4,125,886	29,536,732	33,662,618
Committed	9,671,585	3,790,947	1,186,230	14,648,762
Assigned	143,081	8,623	-	151,704
Unassigned	16,662,603	-	(20,524,308)	(3,861,705)
Total fund balance	27,978,085	7,951,829	15,326,065	51,255,979
Total liabilities, deferred inflows of resources and fund balance	\$ 73,667,598	\$ 13,324,259	\$ 88,335,359	\$ 175,327,216

*See accompanying notes to the basic financial statements*

**Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position**  
 June 30, 2017

Total governmental fund balances	\$ 51,255,979
Allowances for doubtful accounts that are financial resources for the governmental funds	(5,143,053)
Advance refunding and related amortization that are not reported in the governmental funds	1,560,046
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	417,603,457
Long-term assets related to MWPAT and MSBA subsidies of principal for which revenue has been earned on the accrual basis	40,730,550
Deferred outflows of resources related to pensions that are not reported in the funds	7,607,720
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,385,494
Internal service funds are used by management to account for health insurance activities	
The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position	2,836,218
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,496,116)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable	(182,819,692)
Compensated absences	(15,780,399)
Capital leases	(17,781,082)
Workers' compensation claims	(7,821,987)
Other claims and settlements	(3,400,000)
Net pension liability (NPL)	(278,317,145)
Net OPEB obligation (NOO)	(178,500,425)
Net position of governmental activities	<u>\$ (119,080,435)</u>

*See accompanying notes to the basic financial statements*

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
Year Ended June 30, 2017

	<b>Major Fund General Fund</b>	<b>Major Fund Wastewater</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Real estate and personal property taxes	\$ 111,158,506	\$ -	\$ -	\$ 111,158,506
Motor vehicle and other excise	9,328,894	-	-	9,328,894
MSBA assistance	2,415,573	-	28,775,728	31,191,301
Tax liens and foreclosures	3,473,296	499,316	-	3,972,612
Penalties and interest on taxes	2,575,776	-	-	2,575,776
Licenses and permits	2,653,606	-	-	2,653,606
Fines and forfeitures	98,528	-	-	98,528
Investment income	390,836	55,624	420,716	867,176
Intergovernmental - operating grants	53,860,003	-	41,497,454	95,357,457
Intergovernmental - operating grant - Chapter	132,385,625	-	-	132,385,625
Intergovernmental - capital grants	-	5,214,642	6,359,224	11,573,866
Charges for services	15,790,498	21,120,721	1,697,175	38,608,394
Other - indirects	959,384	-	-	959,384
Special assessments and betterments	71	17,160	-	17,231
Payments in lieu of taxes	304,394	-	-	304,394
Miscellaneous	15,441	128,441	6,631,029	6,774,911
Total revenues	<u>335,410,431</u>	<u>27,035,904</u>	<u>85,381,326</u>	<u>447,827,661</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,440,154	-	1,310,078	8,750,232
Public safety	45,910,534	-	3,892,817	49,803,351
Education	160,139,955	-	27,564,765	187,704,720
Public works	14,140,751	11,144,049	3,354,885	28,639,685
Community and economic development	-	-	6,227,151	6,227,151
Health and human services	4,129,869	-	2,558,630	6,688,499
Culture and recreation	4,513,546	-	1,578,940	6,092,486
Pension benefits	26,724,377	-	-	26,724,377
Health and other insurance	39,767,304	-	-	39,767,304
Miscellaneous	9,670,903	-	-	9,670,903
Intergovernmental:				
State and county charges	15,141,498	-	-	15,141,498
Capital outlay:				
General government	-	-	2,898,627	2,898,627
Education	-	-	40,560,983	40,560,983
Public works	-	1,088,060	9,136,170	10,224,230
Municipal airport	-	-	1,323,943	1,323,943
Culture and recreation	-	-	711,058	711,058
Debt service:				
Principal payments	8,040,000	8,029,765	50,000	16,119,765
Short-term note interest	558,602	-	-	558,602
Bond interest costs	2,817,117	3,905,569	1,960	6,724,646
Total expenditures	<u>338,994,610</u>	<u>24,167,443</u>	<u>101,170,007</u>	<u>464,332,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,584,179)</u>	<u>2,868,461</u>	<u>(15,788,681)</u>	<u>(16,504,399)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	3,960,954	3,960,954
Bond premiums	-	-	357,323	357,323
OFS - issuance of refunding bonds	-	-	14,430,000	14,430,000
Special item - loan forgiveness	-	-	716,768	716,768
Special item - insurance proceeds	-	-	66,167	66,167
Transfers in	4,865,588	5,492,287	3,514,902	13,872,777
Transfers out	(1,213,364)	(7,083,867)	(284,959)	(8,582,190)
Total other financing sources and uses	<u>3,652,224</u>	<u>(1,591,580)</u>	<u>22,761,155</u>	<u>24,821,799</u>
Change in fund balance	68,045	1,276,881	6,972,474	8,317,400
Fund balance - beginning of year	<u>27,910,040</u>	<u>6,674,948</u>	<u>8,353,591</u>	<u>42,938,579</u>
Fund balance - end of year	<u>\$ 27,978,085</u>	<u>\$ 7,951,829</u>	<u>\$ 15,326,065</u>	<u>\$ 51,255,979</u>

*See accompanying notes to the basic financial statements*



**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 8,317,400
The allowance for doubtful accounts that are resources for governmental funds	(943,783)
Advance refunding and related amortization that are not reported in the governmental funds	1,358,976
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. This is the amount by which capital outlays exceeded depreciation in the current period.	39,726,860
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.	(3,288,195)
Revenues in the Statement of Activities are accounted for on a different basis than those in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for MWPAT and MSBA principal subsidies differs between the two statements. This amount represents the net change in the long-term assets.	<u>(5,317,528)</u>
Net change in fund balances - total governmental funds (subtotal) - to next page	\$ 39,853,730

*See accompanying notes to the basic financial statements*

Net change in fund balances - total governmental funds (subtotal) - from previous page	<u>\$ 39,853,730</u>
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,129,756)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	181,487
The other postemployment benefit expense reported in the statement of activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(15,033,971)
The pension expense required by GASB Statement No. 68, reported in the statement of activities, requires the use of current financial resources and is not reported as an expenditure in the governmental funds	6,121,638
To record deferred outflows of resources related to GASB 68 actual versus expected experience not reported in the funds	(5,463,689)
Some expenses reported in the Statement of Activities, such as compensated absences and estimated workers' compensation claims do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(1,508,726)
Internal service funds are used by management to account for health insurance activities.	
The net activity of internal service funds is reported with Governmental Activities	<u>(776,498)</u>
Change in net position of governmental activities	<u><u>\$ 21,244,215</u></u>

*See accompanying notes to the basic financial statements*

**Statement of Net Position - Proprietary Funds**

June 30, 2017

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>		<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Major Fund</b>	<b>Total Non-Major Funds</b>		
	<b>Water</b>			
<b>ASSETS</b>				
Current assets:				
Cash	\$ 5,299,142	\$ 256,171	\$ 5,555,313	\$ 6,139,564
Cash - restricted (stabilization)	3,489,395	176,326	3,665,721	-
User charges receivable, net	807,370	-	807,370	-
Other receivables, net	787	23,878	24,665	-
Due from other funds	-	293	293	183,141
Inventory	214,430	-	214,430	-
Other assets	-	-	-	(2,924)
Total current assets	9,811,124	456,668	10,267,792	6,319,781
Non-current assets:				
MWPAT debt subsidy	326,872	-	326,872	-
Capital assets:				
Land	600,000	525,293	1,125,293	-
Easements	962,500	-	962,500	-
Infrastructure in progress	502,119	155,683	657,802	-
Infrastructure, net	41,442,163	29,414,685	70,856,848	-
Land improvements, net	-	339,615	339,615	-
Building and improvements, net	471,131	1,339,208	1,810,339	-
Machinery and equipment, net	1,193,864	150,739	1,344,603	-
Automobiles, net	304,231	73,764	377,995	-
Total capital assets	45,476,008	31,998,987	77,474,995	-
Total non-current assets	45,802,880	31,998,987	77,801,867	-
Total assets	55,614,004	32,455,655	88,069,659	6,319,781
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources (pension)	817,440	204,360	1,021,800	-
Total deferred outflows of resources	817,440	204,360	1,021,800	-
Total assets and deferred outflows of resources	\$ 56,431,444	\$ 32,660,015	\$ 89,091,459	\$ 6,319,781

*See accompanying notes to the basic financial statements*

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major Fund	Total	Total	Internal
	Water	Non-Major Funds	Enterprise Funds	
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable	\$ 205,063	\$ 17,753	\$ 222,816	\$ -
Accounts payable and accrued expenses	2,182,766	27,691	2,210,457	354,207
Accrued interest	166,513	-	166,513	-
Bonds payable	2,043,941	40,000	2,083,941	-
Capital leases	57,165	-	57,165	-
Compensated absences	139,958	13,603	153,561	-
Due to other funds	3,164	141	3,305	254,356
Other liabilities	111	-	111	-
Claims incurred but not reported	-	-	-	2,875,000
Total current liabilities	4,798,681	99,188	4,897,869	3,483,563
Non-current liabilities:				
Bonds payable	22,460,934	935,000	23,395,934	-
Compensated absences	259,922	73,477	333,399	-
Net OPEB obligation (NOO)	2,654,577	262,825	2,917,402	-
Net pension liability (NPL)	11,718,617	2,929,654	14,648,271	-
Total non-current liabilities	37,094,050	4,200,956	41,295,006	-
Total liabilities	41,892,731	4,300,144	46,192,875	3,483,563
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources (pension)	497,115	124,279	621,394	-
Total deferred inflows of resources	497,115	124,279	621,394	-
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	20,913,968	31,023,987	51,937,955	-
Restricted - water stabilization fund	3,489,395	-	3,489,395	-
Restricted - airport stabilization fund	-	176,326	176,326	-
Unrestricted - airport operating fund	-	(1,329,449)	(1,329,449)	-
Unrestricted - water operating fund	(10,361,765)	-	(10,361,765)	-
Unrestricted - downtown parking operating fund	-	(1,635,272)	(1,635,272)	-
Unrestricted - internal service fund	-	-	-	2,836,218
Total net position	14,041,598	28,235,592	42,277,190	2,836,218
Total liabilities, deferred inflows of resources and net position	\$ 56,431,444	\$ 32,660,015	\$ 89,091,459	\$ 6,319,781

See accompanying notes to the basic financial statements

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
Year Ended June 30, 2017

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>		<b>Total</b>	<b>Internal Service Fund</b>
	<b>Major Fund</b>	<b>Non-Major Funds</b>		
	<b>Water</b>		<b>Enterprise Funds</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 12,079,798	\$ 1,701,822	\$ 13,781,620	\$ -
Utility liens and penalties	213,970	-	213,970	-
Intergovernmental	103,266	-	103,266	-
Contributions (employee and employer)	-	-	-	52,905,193
Miscellaneous	60,547	6,819	67,366	-
Total operating revenues	12,457,581	1,708,641	14,166,222	52,905,193
<b>OPERATING EXPENSES</b>				
Salaries and benefits	3,524,932	607,685	4,132,617	52,646
Services and supplies	2,371,805	481,121	2,852,926	208,720
Capital outlay	48,365	-	48,365	-
Depreciation expense	2,624,800	1,944,739	4,569,539	-
Health and other insurance	-	-	-	53,432,440
Total operating expenses	8,569,902	3,033,545	11,603,447	53,693,806
Operating income (loss)	3,887,679	(1,324,904)	2,562,775	(788,613)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	(9,227)	159	(9,068)	12,115
Debt administrative costs	(22,271)	-	(22,271)	-
Debt service - interest payments	(733,543)	(89,416)	(822,959)	-
Total nonoperating revenue (expenses)	(765,041)	(89,257)	(854,298)	12,115
Income (loss) before transfers	3,122,638	(1,414,161)	1,708,477	(776,498)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in - operating	3,008,667	176,167	3,184,834	-
Transfers out - operating	(6,170,135)	(575,286)	(6,745,421)	-
Transfers in - capital	-	1,250,715	1,250,715	-
Transfers out - capital	(1,127,059)	-	(1,127,059)	-
Transfers out - water stabilization fund	(2,000,000)	-	(2,000,000)	-
Total transfers	(6,288,527)	851,596	(5,436,931)	-
Change in net position	(3,165,889)	(562,565)	(3,728,454)	(776,498)
Total net position - beginning of year	17,207,487	28,798,157	46,005,644	3,612,716
Total net position - end of year	\$ 14,041,598	\$ 28,235,592	\$ 42,277,190	\$ 2,836,218

*See accompanying notes to the basic financial statements*

**Statement of Cash Flows - Proprietary Funds**  
Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Fund	Total Non-Major Funds	Total Enterprise Funds	Internal Service Fund
	Water			
<b>Cash flows from operating activities:</b>				
Cash received from employee and employer contributions and governmental units	\$ -	\$ -	\$ -	\$ 53,197,388
Cash received from customers	13,347,491	1,705,410	15,052,901	-
Payments from/(to) suppliers and employees	(3,922,961)	(1,227,560)	(5,150,521)	(53,632,581)
Internal activity-payments from/(to) other funds	-	(62,089)	(62,089)	(277,737)
Net cash provided (used) by operating activities	9,424,530	415,761	9,840,291	(712,930)
<b>Cash flows from noncapital financing activities:</b>				
Transfers in (out)	(6,288,527)	851,598	(5,436,929)	-
Net cash provided by noncapital financing activities	(6,288,527)	851,598	(5,436,929)	-
<b>Cash flows from capital and related financing activities:</b>				
Purchases and construction of capital assets	(554,433)	(1,438,361)	(1,992,794)	-
Proceeds from bond issuance	-	307,000	307,000	-
Principal paid on capital debt	(521,329)	(349,000)	(870,329)	-
Interest paid on capital debt	(821,196)	(89,416)	(910,612)	-
Debt administrative costs	(22,271)	-	(22,271)	-
Net cash used by capital and related financing activities	(1,919,229)	(1,569,777)	(3,489,006)	-
<b>Cash flows from investing activities:</b>				
Interest and dividends	(9,227)	159	(9,068)	12,115
Net cash used by investing activities	(9,227)	159	(9,068)	12,115
Net increase in cash and cash equivalents	1,207,547	(302,259)	905,288	(700,815)
Balances-beginning of the year	7,580,990	734,756	8,315,746	6,840,379
Balances-end of the year	\$ 8,788,537	\$ 432,497	\$ 9,221,034	\$ 6,139,564
Displayed as:				
Cash and short-term investments	\$ 8,788,537	\$ 432,497	\$ 9,221,034	\$ 6,139,564
Total cash and short-term investments	\$ 8,788,537	\$ 432,497	\$ 9,221,034	\$ 6,139,564

*See accompanying notes to the basic financial statements*

## Statement of Cash Flows – Proprietary Funds (Continued)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Fund	Total Non-Major Funds	Total Enterprise Funds	Internal Service Fund
	Water			
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 3,887,679	\$ (1,324,904)	\$ 2,562,775	\$ (788,613)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,624,800	1,944,739	4,569,539	-
Change in assets and liabilities:				
(Increase) decrease in user charges receivables, net	522,402	-	522,402	-
(Increase) decrease in utility liens	356,257	-	356,257	-
(Increase) decrease other receivables, net	11,251	(2,939)	8,312	219,072
(Increase) decrease other assets	2	-	2	-
(Increase) decrease due from other funds	-	(293)	(293)	73,124
(Increase) decrease in deferred outflows	302,412	75,603	378,015	-
Increase (decrease) warrants and accounts payable	1,921,095	(9,035)	1,912,060	61,224
Increase (decrease) in net OPEB obligation (NOO)	272,058	67,418	339,476	-
Increase (decrease) in net pension liability (NPL)	(257,753)	(64,438)	(322,191)	-
Increase (decrease) in deferred inflows	(72,361)	(18,091)	(90,452)	-
Increase (decrease) in due to other funds	-	(62,089)	(62,089)	-
Increase (decrease) in capital leases	(136,181)	(196,194)	(332,375)	-
Increase (decrease) in compensated absences	(7,131)	5,984	(1,147)	-
Increase (decrease) in incurred but not reported	-	-	-	(277,737)
Net cash provided (used) by operating activities	<u>\$ 9,424,530</u>	<u>\$ 415,761</u>	<u>\$ 9,840,291</u>	<u>\$ (712,930)</u>

*See accompanying notes to the basic financial statements*

**Statement of Fiduciary Net Position - Fiduciary Funds and Similar Component Units**  
**June 30, 2017**

	<b>Pension Trust Fund (As of December 31, 2016)</b>	<b>Other Post Employment Benefit Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and short-term investments	\$ 6,450,114	\$ -	\$ 439,137	\$ 6,474,951	\$ 13,364,202
Investments:					
Fixed income securities	37,912,765	-	-	-	37,912,765
Stocks / equities	120,385,342	-	-	-	120,385,342
International equities	30,230,467	-	-	-	30,230,467
Pooled funds	51,830,942	-	-	-	51,830,942
Real estate	24,899,410	-	-	-	24,899,410
Alternative investments	19,230,396	-	-	-	19,230,396
Invested in the PRIT fund	-	1,186,837	-	-	1,186,837
Receivables, net of allowance or uncollectibles:					
Employee	433,897	-	-	-	433,897
Interest and dividends	104,993	-	-	-	104,993
Other	31,601	-	-	300,957	332,558
Due from external parties - primary government	-	-	-	203,133	203,133
Total assets	<u>291,509,927</u>	<u>1,186,837</u>	<u>439,137</u>	<u>6,979,041</u>	<u>300,114,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
None	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 291,509,927</u>	<u>\$ 1,186,837</u>	<u>\$ 439,137</u>	<u>\$ 6,979,041</u>	<u>\$ 300,114,942</u>
<b>LIABILITIES</b>					
Warrants payable	\$ -	\$ -	\$ 14,000	\$ 427,936	\$ 441,936
Accounts payable and accrued expenses	383,243	-	-	145,930	529,173
Payable to external parties - primary government	-	-	-	164	164
Deposits held	-	-	-	6,385,625	6,385,625
Other liabilities	-	-	-	19,386	19,386
Total liabilities	<u>383,243</u>	<u>-</u>	<u>14,000</u>	<u>6,979,041</u>	<u>7,376,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
None	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted - other purposes	-	-	425,137	-	425,137
Restricted - OPEB benefits	-	1,186,837	-	-	1,186,837
Restricted - pension benefits	291,126,684	-	-	-	291,126,684
Total net position	<u>291,126,684</u>	<u>1,186,837</u>	<u>425,137</u>	<u>-</u>	<u>292,738,658</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 291,509,927</u>	<u>\$ 1,186,837</u>	<u>\$ 439,137</u>	<u>\$ 6,979,041</u>	<u>\$ 300,114,942</u>

*See accompanying notes to the basic financial statements*



**Statement of Changes in Fiduciary Net Position - Fiduciary Funds and Similar Component Units**  
Year Ended June 30, 2017

	<b>Pension Trust Fund (As of December 31, 2016)</b>	<b>Other Post Employment Benefit Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Total</b>
<b><u>ADDITIONS:</u></b>				
Contributions:				
Employer contributions	\$ 31,563,307	\$ -	\$ -	\$ 31,563,307
Plan member contributions	9,042,514	-	-	9,042,514
Miscellaneous income	7,875	-	-	7,875
Total contributions	40,613,696	-	-	40,613,696
Net investment income:				
Dividends and interest	2,835,293	26,875	16,895	2,879,063
Net appreciation in fair value of investments	21,902,533	85,455	(13,438)	21,974,550
Total investment income	24,737,826	112,330	3,457	24,853,613
Less: investment expense	2,255,187	-	-	2,255,187
Net investment income	22,482,639	112,330	3,457	22,598,426
Intergovernmental	961,322	-	-	961,322
Total additions	64,057,657	112,330	3,457	64,173,444
<b><u>DEDUCTIONS:</u></b>				
Retirement benefits	44,304,012	-	-	44,304,012
Administration	529,804	2,561	14,000	546,365
Transfers, reimbursements and refunds	2,771,320	-	-	2,771,320
Total deductions	47,605,136	2,561	14,000	47,621,697
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in - OPEB Trust Fund	-	270,000	-	270,000
Total other financing sources (uses)	-	270,000	-	270,000
Change in net position	16,452,521	379,769	(10,543)	16,821,747
Net position - beginning of year	274,674,163	807,068	435,680	275,916,911
Net position - ending of year	\$ 291,126,684	\$ 1,186,837	\$ 425,137	\$ 292,738,658

*See accompanying notes to the basic financial statements*

## Notes to the Basic Financial Statements

### June 30, 2017

#### **Note 1. Summary of Significant Accounting Policies**

The accompanying government-wide financial statements of the City of New Bedford (“the City”) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The City maintains and reports its fund financial statements in accordance with practices prescribed by the Uniform Municipal Accounting System (“Uniform Systems”) promulgated by the Commonwealth of Massachusetts Department of Revenue with the exception of the City’s Wastewater Fund which is reported based on Sections 502 and 610 of the City’s “Amended and Restated Wastewater System General Revenue Bond Resolution” between the City and the Massachusetts Clean Water Trust (MCWT) (adopted October 29, 1998). The following is a summary of significant accounting policies.

#### **A. Reporting Entity**

The City of New Bedford is a Massachusetts municipal corporation with a Mayor-Council form of government. These financial statements present the City (the primary government) and its component units. The component units are legally separate entities that are included in the City’s reporting entity because of the significance of their operating or financial relationships with the City. Unless otherwise indicated, the Notes to the Basic Financial Statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary government.

#### **Component Units**

In conformity with accounting principles generally accepted in the United States of America, management has evaluated each potential component unit being considered for inclusion in the financial reporting entity.

Discretely presented component units are entities that are legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City has the following component units:

The *Greater New Bedford Regional Refuse Management District* is an inter-municipal landfill benefitting the City of New Bedford and the adjacent Town of Dartmouth and was organized under the provisions of Massachusetts General Laws Chapter 40, Sections 44A through L. The Refuse District is governed by a six member committee, three of whom are appointed by the City and three of whom shall be appointed by the Town of Dartmouth. Although legally separate, the Greater New Bedford Regional Refuse Management District’s operating fund is reported on the government-wide financial statements as a *discretely presented* major component unit (management’s discretion). The Refuse District also has an Other Post Employment Benefit Trust fund with a net position of \$4,192,151 at June 30, 2017. The Refuse District’s OPEB Trust fund is not presented in the government-wide financial statements as the net position of the fund is held in trust (i.e. a fiduciary fund). Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Refuse District due to the fact that the primary government has assumed the obligation to provide financial support to the organization through the payment of an annual assessment. Separate financial statements for the Greater New Bedford Regional Refuse Management District are not included in this financial statement presentation. These financial statements could be obtained by contacting either the Greater New Bedford Regional Refuse Management District or the Office of the Chief Financial Officer of the City of New Bedford.

The *New Bedford Harbor Development Commission* was established under the Chapter 762 of the Acts of 1957 as a Public Instrumentality to develop and market both the New Bedford Harbor as well as the waterfront properties. The Harbor Development Commission manages the local marina, harbors and waterways on behalf of the City. The Commission is made up of seven members, of which the mayor is the chairperson (ex-officio) and six members appointed by the mayor and confirmed by the City Council. Although legally separate, the New Bedford Harbor Development Commission is reported on the government-wide financial statements as a *discretely presented* major component unit. Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Harbor Development Commission due to the fact that the primary government has provided financial support to the Harbor Development Commission in past years and this obligation is still outstanding as of the end of fiscal year 2017. Separate financial statements for the New Bedford Harbor Development Commission are not included in this financial statement presentation. These financial statements could be obtained by contacting either the New Bedford Harbor Development Commission or the Office of the Chief Financial Officer of the City of New Bedford.

The *Greater New Bedford Workforce Investment Board, Inc* (“the WIB”) is a Massachusetts not-for-profit corporation organized in 1996 under the laws of the Commonwealth of Massachusetts (MGL Chapter 156B Sections 11 to 13) setup to

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function as the regional coordinator of the workforce development system for the Workforce Investment Area. The Mayor of the City of New Bedford is the Chief Elected Official of the ten community area and, under WIB bylaws, the Mayor appoints members to its board. Although legally separate, the WIB is reported on the government-wide financial statements as a *discretely presented* non-major component unit. At fiscal year end 2017, no “financial benefit or burden relationship” exists between the primary government and the WIB. However, based on GASB Statement No. 61 guidance, even though the WIB’s financial statements are quantitatively immaterial to the financial reporting entity, in management’s best professional judgment, these financial statements are qualitatively material and were included within the financial reporting entity based on the nature and significance of the WIB’s relationship with the City (i.e. the primary government). Separate financial statements for the WIB are not included in this financial statement presentation. These financial statements could be obtained by contacting either the New Directions or the Office of the Chief Financial Officer of the City of New Bedford.

The *New Bedford Redevelopment Authority* was organized under the provisions of Massachusetts General Laws 121B and is an independent body politic and corporate, is not an agency of a municipality and therefore, does not answer directly to the chief executive. According to Massachusetts General Law Chapter 121B Section 5, a redevelopment authority is governed by an appointed five-member board. In a City, four members of a housing or redevelopment authority shall be appointed by the Mayor subject to confirmation by the City Council. The purpose of the Authority is to redevelop substandard, decadent or blighted open areas for industrial, commercial, business, residential, recreational, education, hospital or other purposes. The Redevelopment Authority is reported on the government-wide financial statements as a *discretely presented* non-major component unit. Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Redevelopment Authority due to the fact that the primary government has provided financial support to the Redevelopment Authority in past years and this obligation is still outstanding as of the end of fiscal year 2017. Separate financial statements for the Redevelopment Authority are not included in this financial statement presentation. These financial statements could be obtained by contacting either the Redevelopment Authority or the Office of the Chief Financial Officer of the City of New Bedford.

Management has determined that the *New Bedford Contributory Retirement System* (“the System”) should continue to be reported as a fiduciary fund in the City’s fiduciary fund financial statements per the GASBs guidance. The System qualifies as neither a blended or discretely presented component unit. The System is a defined benefit contributory retirement plan covering employees of the City and certain other entities. The City Auditor is an ex-officio member of the System’s Board and the City is the largest employer in the System. The System is not required to, nor does it choose to present separate financial statements.

Complete financial statements of these component units can be obtained through the Office of the Chief Financial Officer, 133 Williams Street, New Bedford, Massachusetts 02740.

## **B. Government-Wide Statements**

### *Government-Wide and Fund Financial Statements*

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City’s public safety, parks, library and recreation, public works, wastewater, and general administrative services are classified as governmental activities. The City’s water, airport and downtown parking services are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental column is presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with function (police, public works, community and economic development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, fiduciary funds are not included in the government-wide statements since these assets are held for the benefit of private parties and

*Continued*

pension participants, and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The net costs (by function) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

### C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the financial statements. Non-major funds are aggregated and displayed in a single column.

Major Fund Criteria:

Major funds must be reported if the following criteria are met:

- If the total assets; liabilities, revenues or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities; etc.) for all funds of the category or type (total governmental or total enterprise funds) and,
- If the total assets, liabilities, revenues or expenditures/expense of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise combined.

Additionally, any other governmental or enterprise fund that management believes is of particular significance to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

The following funds are used by the City:

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a) **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c) **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- d) **Permanent funds** contain resources that are legally restricted to the extent that only earnings may be used for purposes that support the reporting government's programs.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a) **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.

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- b) **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

#### *Fiduciary Funds*

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

- a) **Private purpose trust funds** are used to account for trust arrangements, other than those properly reported in the permanent fund under which principal and investment income exclusively benefits individual, private organizations or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.
- b) **Agency funds** are used to account for assets held in a purely custodial capacity.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds.

#### *Description of Major Funds*

Governmental funds – the City reports the following major governmental funds:

1. The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The **Wastewater Special Revenue Fund** accounts for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted or assigned to expenditures for wastewater operations. The wastewater major fund also includes debt service and special projects of the wastewater operations.

Proprietary fund – the City reports the following major proprietary fund:

1. The **Water Enterprise Fund** is used to account for and report the City's water activities.

The City's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

The governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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### *Modified Accrual*

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when *susceptible to accrual*, i.e., both measurable and available. The City applies the *susceptible to accrual* criteria to property and other taxes and to intergovernmental revenues. Available means collectible within the current period or within 60 days after year end. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred subject to availability requirements. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Property and other taxes are recognized as revenue in the year for which taxes have been levied or earned, provided they are collected within 60 days after year-end. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except for Massachusetts School Building Authority (MSBA) and Chapter 90 receivables which are considered available when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

### **E. Implementation of New Accounting Principles**

For the year ending June 30, 2017, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*

The implementation of GASB Statement No. 80 had no reporting impact for the City.

### **F. Financial Statement Amounts**

#### *Cash and Cash Equivalents*

The City has defined cash and cash equivalents to include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased.

#### *Investments*

Investments, including deferred compensation and pension funds, are stated at fair value. Fair values are based on quotations from the national securities exchange. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72, *Fair Value Measurement and Application*. 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as prepaid for securities purchased and as receivables for securities sold.

#### *Real Estate, Personal Property Taxes, Tax Liens and Tax Foreclosures*

Real and personal property taxes are based on values levied (assessed) and lienied as of each January 1<sup>st</sup> of every year. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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Tax liens may be subject to foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, Section 50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian.

Foreclosed properties can be then sold through advertised public auction or held for use by the City.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectible is estimated based on historical trends and specific account analysis.

#### *Motor Vehicle Excise*

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible is estimated based on historical trends and specific account analysis.

#### *Departmental and Other*

Departmental and other receivables consist primarily of public safety details and emergency management service fees that are recorded as receivables in the fiscal year accrued. The allowance of uncollectible is estimated based on historical trends and specific account analysis.

#### *Usage Receivables*

Receivables are recorded at net realizable value when earned under the accrual basis and modified basis of accounting. The allowance of uncollectible is based on historical trends and specific account analysis.

#### *Special Assessments*

The costs incurred on completed special projects that have been assessed to the benefitted taxpayers which have not been paid. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible.

#### *Intergovernmental*

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

For those voluntary nonexchange transactions arising from future subsidized principal payments, the City recognizes a receivable and revenue when all applicable requirements, including time requirements, are met, dependent on the applicable basis of accounting.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible.

#### *Loans*

The City administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectible is based on historical trends and specific account analysis.

#### *Inventory*

The cost of supplies and other inventory items as recorded is an expenditure at the time of purchase (purchase method). Inventory balances were on hand at June 30, 2017 and are included in the water and wastewater funds. Inventories are priced at the lower of cost or market, with cost being determined on the first-in, first-out method basis.

#### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets purchased or acquired with an aggregated original cost of \$10,000 or more are reported at

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historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs related to construction projects are capitalized during the related period. Such costs were not considered material during fiscal 2017. Donated capital assets are valued at their estimated fair value at the time recorded.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in fixed assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives using a half-year first year convention:

Building	20-50 years
Water and sewer system	30-50 years
Other infrastructure	10-50 years
Improvements	10-20 years
Machinery and equipment	5-10 years

GASB No. 34 required the City to report and depreciate new infrastructure assets effective June 30, 2002. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation had historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal year ending 2007.

Capital assets costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

#### *Long-Term Debt*

Long-term debt is reported as liabilities in the government-wide and propriety fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

#### *Pensions*

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 City of New Bedford's Contributory Employees' Retirement System ("the System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### *Deferred Inflows of Resources (formerly known as 'deferred revenue')*

In the governmental fund financial statement, deferred inflows of resources represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years.

In the Governmental fund, deferred inflows of resources relate to revenue that is measurable, but not available.

In the Special Revenue funds, deferred inflows of revenues represents amounts received in advance of expenditures incurred for certain grants.

In the government-wide financial statements, revenue is recorded when earned. Therefore, those statements deferred inflow of resources represent only unearned revenues.

#### *Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specific payment rates established by controls, regulations or policy.

Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Management has estimated the short-term portion of the compensated absence liability based on historical trends and/or specific account analysis.

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*Government-Wide and Propriety Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in governmental funds.

*Net Position and Classifications***Government -Wide Financial Statements:**

Net position is displayed in three components:

- a) *Invested in capital position, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b) *Restricted net position* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provision or enabling legislation.
- c) *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the policy of the City of New Bedford to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available.

**Fund Statements**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used.

- a) *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b) *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- c) *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.
- d) *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Under MGL Chapter 190, Acts of 1982, the City Auditor has the authority to assign amounts to be used for specific purposes on behalf of the City.
- e) *Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund. The City does not currently have a formal minimum unassigned fund balance policy.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

*Revenues*

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. As required by GASB No. 33 when recording grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time

*Continued*

requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred inflows of resources by the recipient.

#### *Expenditures*

Expenditures are recognized when the related fund liability is incurred.

#### *Interfund Activity*

During the course of government operations, transactions occur between and within individual funds that may result in amounts owed between funds.

### **Government-Wide Financial Statements:**

Transaction of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statements of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as internal balances.

### **Fund Financial Statements:**

Transaction of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “due from other funds” or “due to other funds” on the balance sheet.

#### *Interfund Transfers*

During the course of government operations, resources may be permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out and are not eliminated from the individual fund statements.

#### *Claims and Judgments*

The City is uninsured with respect to risks including, but not limited to, property damages, personal injury and workers’ compensation. In the fund financial statements, expenditures for claims and judgments are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers’ compensation are recorded when paid on the modified accrual basis. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements the estimated liability for all claims and judgments, including workers’ compensation, is recorded as a liability and as an expense.

#### *Use of Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### *Fund Deficit and Appropriation Deficits*

Several individual fund deficits existed at June 30, 2017 in the governmental funds. These deficits will be funded by future administration plans; bond issues and available fund balances. Appropriation deficits also existed in the general fund at June 30, 2017. Please see note 2 for further information.

### **G. Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

*Continued*

**Note 2. Compliance and Accountability****Budget Requirements, Accounting and Reporting**

Requirements for all funds:

- a) Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget to Council for consideration and approval no later than July 15. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.
- b) By Charter the Mayor must submit an annual appropriation ordinance to City Council. This ordinance builds upon the tax budget of the previous July and is updated for any estimated revisions as well as year-end encumbrances and may include any additional information requested by Council. Council may subsequently amend such ordinance. Amendments to the appropriation ordinance during 2017 were approved by the City Council as provided by the Charter.
- c) For day-to-day management control, expenditures plus encumbrances may not exceed the budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund). The Mayor may transfer unencumbered appropriations within programs within funds.
- d) Appropriation control (City Council appropriate budget) is by program (i.e., safety, leisure, health, etc.) within a fund. City Council may, by ordinance, transfer amounts among programs within and between funds. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included against appropriations.

**Excess of Expenditures Over Appropriations**

The legal level of control for which expenditures can not exceed appropriation in the general fund is at the category level within a department (i.e., salaries, charges and services; supplies and materials; capital outlay; and debt service.). The legal level of control for the school department is at the total level.

In fiscal year 2017, expenditures exceeded appropriations at the category level for the following departments within the City's general fund:

<b>Department</b>	<b>Category Name</b>	<b>Appropriation Deficits</b>
Chief Financial Officer	Purchase of Services	\$ 472
City Solicitor	Supplies	181
MIS	Supplies	54
Elections	Personal Services	1,339
Licensing Board	Purchase of Services	80
Licensing Board	Supplies	7
General Government Unclassified	Purchase of Services	73,713
Police	Personal Services	4,490
Police	Purchase of Services	37,041
Police	Capital Outlay	31,138
Fire	Personal Services	12,653
Fire	Supplies	63
EMS	Personal Services	12,875
EMS	Supplies	4,390
Community Services	Purchase of Services	81
Library	Supplies	17
Buttonwood Park Zoo	Personal Services	13,576
Buttonwood Park Zoo	Supplies	11,779
Treasurers Debt	Other Financing Uses	15,519
Total General Fund Appropriation Deficits		<u>\$ 219,469</u>

*Continued*

## Interfund Transactions

The interfund activity presented below is for the fund statement level only. These balances include both due from/to other funds and interfund transfers (i.e. other financing sources and other financing uses):

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
<b><u>Major Governmental Funds</u></b>				
General Fund	\$ 1,639,555	\$ 3,294,970	\$ 4,865,588	\$ 1,213,364
Wastewater Fund	21,003	1,485,717	5,492,287	7,083,867
<b><u>Non-Major Governmental Funds</u></b>				
Total Non-Major Governmental Funds	3,010,915	19,528	3,514,902	284,959
<b><u>Major Enterprise Fund</u></b>				
Water	-	3,164	3,008,667	8,170,135
<b><u>Non-Major Enterprise Funds</u></b>				
Total Non-Major Enterprise Funds	293	141	176,167	575,286
<b><u>Internal Service Fund</u></b>				
Internal Service Fund	183,141	254,356	-	-
<b><u>Fiduciary Funds</u></b>				
Agency	203,133	164	-	-
OPEB Trust Fund	-	-	270,000	-
Totals	<u>\$ 5,058,040</u>	<u>\$ 5,058,040</u>	<u>\$ 17,327,611</u>	<u>\$ 17,327,611</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements.

In addition to the sources and uses above, capital sources of \$1,250,715 were recorded for the airport enterprise fund and net capital uses of \$1,127,059 were recorded for the water enterprise fund for capital assets purchased from governmental funds and long-term issuances of debt during fiscal year 2017 (thus resulting in increases or decreases to net position within the enterprise fund).

*Continued*

**Note 3. Cash, Cash Equivalents and Investments**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 96,992,543
Business-Type Activities	<u>9,221,034</u>
<b>Total Cash and Investments - Primary Government</b>	<b><u>\$ 106,213,577</u></b>
Private Purpose Trust Funds	439,137
OPEB Trust Fund	1,186,837
Agency Funds	<u>6,474,951</u>
<b>Total Cash and Investments - Fiduciary Funds</b>	<b><u>\$ 8,100,925</u></b>
Pension Trust Funds - Cash	\$ 6,450,114
Pension Trust Funds - Investments	<u>284,489,322</u>
<b>Total Cash and Investments - New Bedford</b>	
<b>Contributory Retirement</b>	<b><u>\$ 290,939,436</u></b>
<b>Total Cash and Investments - City of New Bedford</b>	<b><u>\$ 405,253,938</u></b>

**Cash and Cash Equivalents**

Deposits are in various financial institutions and are carried at cost or fair value in the case of pooled deposits for trust funds. The carrying value is separately displayed on the statement of net position as “Cash and Investments”. Petty cash is included in the presentation of cash on the statement of net position in the amount of \$9,145 on June 30, 2017.

*Custodial credit risk for deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end, the City’s carrying amount of deposits for the primary government, private purpose trust funds, the OPEB trust fund and the agency funds was \$114,443,858, including \$9,145 of petty cash and the bank balance was \$119,290,326. Of the bank balance \$3,146,843 was covered by Federal Depository Insurance, \$36,694,896 was covered by Depositors Insurance Fund and \$61,748,546 was held in collateralized accounts. The remaining balance of \$17,700,041 was held in uncollateralized accounts and therefore is exposed to “custodial credit risk for deposits”.

At year end the City’s carrying amount of deposits for the pension trust fund was \$6,450,114 and the bank balance was \$7,188,251. Of the bank balance \$500,006 was covered by Federal Depository Insurance. The remaining balance of \$6,688,245 was held in uncollateralized accounts and therefore is exposed to “custodial credit risk for deposits”.

The City has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management fees that the City is not exposed to any significant credit risk related to cash.

*Investments*

Investments are stated at fair value for investment pools and historical costs for all other investments. The majority of investment activity is conducted through contracted investment management firms and held in pooled trust fund accounts in the City’s name.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. See below for ratings of the investments held by the City of New Bedford as of June 30, 2017 based on the S&P rating scale.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The

*Continued*

investments listed below were issued by various financial institutions.

The City adheres to the provisions of MGL Chapter 44 Section 55 when managing concentration risk. This section of the General Laws contain several restrictions limiting where and under what circumstances the City may deposit its funds. No investments in a single issuer exceeded 5% of the City's investment portfolio.

*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.

*Foreign currency risk* is the risk that exchange rates effect the valuation of an investment. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies. The amount of investments which include foreign investments are listed below.

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity utilizing the specific identification method:

*Total Investments by Investment Type and S&P Ratings:*

*Primary Government, Private Purpose and Agency Funds*

Investment Type	Fair Value	S&P Rating					Not Rated
		AAA	AA	A	BBB		
Government Securities	\$ 1,631,912	\$ -	\$ 1,568,583	\$ -	\$ -	\$ 63,330	
Corporate Bonds	6,181,942	767,476	284,078	2,959,693	2,170,695	-	
Fixed Income	250,450	-	-	-	-	250,450	
Total Debt Securities	\$ 8,064,304	\$ 767,476	\$ 1,852,660	\$ 2,959,693	\$ 2,170,695	\$ 313,780	

**Other Investments:**

Equities	5,741,552
Certificate of Deposits	2,453,745
Mutual Funds - Equities	201,122
Hedge Funds	10,523
State Retiree Benefits Trust Fund (OPEB Trust)	1,186,838
Exchange Traded Funds (ETFs)	116,843
Total Investments	<u>\$ 17,774,926</u>

*Pension Trust Fund (at December 31, 2016)*

Investment Type	Fair Value	S&P Rating							Not Rated
		AAA	AA	A	BBB	BB	B	D	
Auto Loan Receivable	\$ 121,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,375
Bank Loans Receivable	106,604	-	-	-	-	-	-	-	106,604
Collateralized Mortgage Backed Securities	4,128,595	-	290,825	685,767	383,055	196,870	52,783	113,104	2,406,192
Convertible Bonds	738,697	-	-	-	-	-	-	-	738,697
Corporate Bonds	13,902,888	-	204,230	609,757	3,367,307	98,677	-	-	9,622,916
Credit Card Receivable	263,680	169,608	94,073	-	-	-	-	-	-
Equipment Loans Receivable	69,006	-	-	-	-	-	-	-	69,006
Federal Home Loan Mortgage Corp.	1,072,096	-	-	-	-	-	-	-	1,072,096
Federal National Mortgage Association	1,817,085	-	-	-	-	-	-	-	1,817,085
Government National Mortgage Association	90,214	-	-	-	-	-	-	-	90,214
Government Issues	8,170,678	-	-	-	-	-	-	-	8,170,678
Loomis Mutual Fund (Full Discretion)	1,614,939	-	-	-	-	-	-	-	1,614,939
Municipal Bonds	335,530	-	143,237	80,614	52,216	-	-	-	59,464
National Association of Realtor Mortgage Backed Se	772,577	-	-	-	-	-	-	-	772,577
Other Asset Backed Securities	1,026,844	-	-	-	-	-	-	-	1,026,844
Other Investments	515,890	-	-	-	-	-	-	-	515,890
Yankee Bonds	3,166,067	-	-	-	-	-	-	-	3,166,067
Total Debt Securities	\$ 37,912,764	\$ 169,608	\$ 732,364	\$ 1,376,138	\$ 3,802,578	\$ 295,547	\$ 52,783	\$ 113,104	\$ 31,370,643

**Other Investments:**

Pooled Emerging Market/Other Equities	\$ 51,830,942
Pooled Domestic Equities	120,385,342
Pooled International Equities	30,230,468
Pooled Alternative Investments	19,230,396
Pooled Real Estate Funds	24,899,410
Total Investments	<u>\$ 284,489,322</u>

*Continued*

*Total Investments by Investment Type and Remaining Maturity:**Primary Government, Private Purpose and Agency Funds*

Investment Type	Fair Value	Remaining Maturity (in years)					Not Available
		0-1 years	1-2 years	2-5 year	5-10 years	More than 10 years	
Government Securities	\$ 1,631,912	\$ 259,543	\$ -	\$ 1,371,186	\$ -	\$ 1,183	\$ -
Corporate Bonds	6,181,942	1,116,214	2,524,154	2,264,429	277,145	-	-
Fixed Income	250,450	149,994	49,992	50,464	-	-	-
Certificates of Deposit	2,453,745	746,749	679,834	784,908	-	242,254	-
Total Debt Securities	\$ 10,518,049	\$ 2,272,501	\$ 3,253,980	\$ 4,470,987	\$ 277,145	\$ 243,437	\$ -

**Other Investments:**

Equities	\$ 5,741,552
Mutual Funds - Equities and other	201,122
Hedge Funds	10,523
State Retiree Benefits Trust Fund (OPEB Trust)	1,186,838
Exchange Traded Funds (ETFs)	116,843
Total Investments	<u>\$ 17,774,926</u>

*Pension Trust Fund (at December 31, 2016)*

Investment Type	Fair Value	Remaining Maturity (in years)					Not Available
		0-1 years	1-2 years	3-5 year	6-10 years	More than 10 years	
Auto Loan Receivable	\$ 121,375	\$ -	\$ -	\$ 121,375	\$ -	\$ -	\$ -
Bank Loans Receivable	106,604	-	-	-	106,604	-	-
Collateralized Mortgage Backed Securities	4,128,595	-	-	136,969	51,097	3,940,530	-
Convertible Bonds	738,697	-	117,189	187,907	169,217	125,687	138,697
Corporate Bonds	13,902,888	80,472	498,120	1,646,422	7,780,754	3,897,120	-
Credit Card Receivable	263,680	-	-	98,214	71,394	94,073	-
Equipment Loans Receivable	69,006	-	-	-	69,006	-	-
Federal Home Loan Mortgage Corp.	1,072,096	-	-	-	-	1,072,096	-
Federal National Mortgage Association	1,817,085	-	-	-	-	1,817,085	-
Government National Mortgage Association	90,214	-	-	-	-	90,214	-
Government Issues	8,170,678	169,827	1,827,273	3,113,721	1,965,559	1,094,299	-
Loomis Mutual Fund (Full Discretion)	1,614,939	-	-	-	-	-	1,614,939
Municipal Bonds	335,530	-	-	-	-	335,530	-
National Association of Realitor Mortgage Backed S	772,577	-	-	12,310	36,373	723,894	-
Other Asset Backed Securities	1,026,844	-	-	305,143	249,596	472,104	-
Other Investments	515,890	-	-	-	-	1,977	513,913
Yankee Bonds	3,166,067	-	-	277,073	2,206,780	682,214	-
Total Debt Securities	\$ 37,912,764	\$ 250,298	\$ 2,442,582	\$5,899,133	\$ 12,706,380	\$ 14,346,822	\$2,267,548

**Other Investments:**

Pooled Emerging Market/Other Equities	\$ 51,830,942
Pooled Domestic Equities	120,385,342
Pooled International Equities	30,230,468
Pooled Alternative Investments	19,230,396
Pooled Real Estate Funds	24,899,410
Total Investments	<u>\$ 284,489,322</u>

Continued

The following represent foreign assets the City has invested in:

<u>Investment Type</u>	<u>Currency</u>	<u>Total Amount</u>	<u>Maturity</u>	<u>Description</u>
<b><i>Foreign Currency Risk</i></b>				
<i>Primary Government, Private Purpose and Agency Funds</i>				
Common Stock - Foreign	N/A	\$ 7,557	N/A	Toronto Dominion Bank
Common Stock - Foreign	N/A	7,783	N/A	Eaton Corp PLC
Common Stock - Foreign	N/A	<u>8,619</u>	N/A	Vodafone Group PLC
Total		<u>\$ 23,959</u>		

<u>Investment Type</u>	<u>Currency</u>	<u>Total Amount</u>	<u>Maximum Maturity (in years)</u>	<u>S&amp;P Rating</u>
<b><i>Foreign Currency Risk</i></b>				
<i>Pension Trust Fund (at December 31, 2016)</i>				
Corporate Bond	AUD	\$ 81,369	3	Not Rated
Corporate Bond	BRL	38,079	2	Not Rated
Corporate Bond	COP	214,604	7	Not Rated
Corporate Bond	EUR	13,511	25	Not Rated
Corporate Bond	INR	252,582	3	Not Rated
Corporate Bond	MXN	<u>617,248</u>	27	Not Rated
Total		<u>\$ 1,217,394</u>		

***Note 4. Fair Value Disclosures – Primary Government, Private Purpose and Agency Funds***

The City holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB Statement requires or permits in the Statement of Net Position at the end of each reporting period. Because investing is not a core part of the City's mission, the City determined that the disclosures related to these investments only need to be disaggregated by major type. The City chose a narrative format for the fair value disclosures instead of using a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72, *Fair Value Measurement and Application*. 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

**Debt Securities:**

- US Treasury and Other Government Securities of \$1,631,912 are valued using quoted market prices (Level 1 inputs)
- Mutual Funds totaling \$201,122 are valued using quoted market prices (Level 1 inputs)

*Continued*



- Corporate Bonds and Other Fixed Income Securities totaling \$6,432,392 are valued using quoted market prices (Level 1 inputs)
- Certificates of Deposit totaling \$2,453,745 are valued using quoted market prices (Level 1 inputs)

**Equity Securities:**

- Equities of \$5,741,552 are valued using quoted market prices (Level 1 inputs)
- Exchange Traded Funds (ETFs) of \$116,843 are valued using quoted market prices (Level 1 inputs)

The City had no nonrecurring fair value measurements as of June 30, 2017.

**Investments Measured at the Net Asset Value (NAV)**

The City owns units, or shares in the State Retiree Benefits Trust Fund reported in the City's OPEB Trust Fund at a net asset value (NAV) of \$1,186,838 as of June 30, 2017. By law, such investments are required to be invested in the Pension Reserves Investment Trust ("PRIT") Fund. The investments are irrevocable and invested for the sole purpose to provide funding for the City's post-employment benefits for the exclusive benefit of the City's retired employees and their eligible dependents; and for defraying the reasonable expenses of the Trust in accordance with the Trust agreement. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the City's ownership of the fund.

PRIT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the City's position in pool shares.

***Note 5. Fair Value Disclosures – New Bedford Contributory Retirement System (a Defined Benefit Pension Plan)***

The New Bedford Contributory Retirement System ("the System") holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System's activities, the System shows greater disaggregation in their disclosures. The System chose to display a tabular format for disclosing the levels within the fair value hierarchy per GASB Statement No. 72, *Fair Value Measurement and Application*.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2016:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)*	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2016			
<b>Investments by Fair Value Level:</b>				
Equity Securities:				
Boston Company	\$ 37,280,368	\$ 37,280,368	\$ -	\$ -
SSgA Russell 3000 Index NL Fund	33,663,836	33,663,836	-	-
Wellington Management Company, LLP	15,824,208	-	15,824,208	-
Westfield All Cap Equity Collective Fund	33,616,929	33,616,929	-	-
SSgA MSCI EAFE Index NL Fund	30,230,468	30,230,468	-	-
Fixed Income Securities:				
State Street Holdings	18,916,004	18,916,004	-	-
Pooled Funds:				
Aberdeen Emerging Markets Equity Fund	9,282,889	9,282,889	-	-
Acadian Emerging Markets Equity II Fund LLC	19,122,311	19,122,311	-	-
PIMCO All Asset Collective Trust	23,425,742	23,425,742	-	-
Alternative Investments:				
NB Crossroads Fund XXI	1,872,913	-	-	1,872,913
Hamilton Lane Private Equity Fund IX LP	2,090,284	-	-	2,090,284
INVESCO Partnership Fund IV, LP	1,509,632	-	-	1,509,632
Hunt Redevelopment & Renovation Fund LLC	1,240,204	-	-	1,240,204
Lexington Capital Partners VIII LP	2,662,889	-	-	2,662,889
Mesirow Financial Private Equity Partnership Fund V, LP	6,992,250	-	-	6,992,250
Realty Associates Fund VIII Corporation	2,540,253	-	-	2,540,253
Wilton Private Equity Fund	321,971	-	-	321,971
Total investments by fair value level	<u>\$ 240,593,151</u>	<u>\$ 205,538,547</u>	<u>\$ 15,824,208</u>	<u>\$ 19,230,396</u>
<b>Total investments measured at fair value</b>	<u>\$ 240,593,151</u>	<u>\$ 205,538,547</u>	<u>\$ 15,824,208</u>	<u>\$ 19,230,396</u>
<b>Other investments held:</b>				
Investments Measured at Net Asset Value (NAV):				
UBS Asset Management - Trumbull Property Fund	\$ 10,677,031			
Loomis Multisector Full Discrn Tr B	18,996,761			
Blackrock Granite Property Fund	14,222,379			
<b>Total other investments held:</b>	<u>43,896,171</u>			
<b>Total investments held by the</b>				
<b>New Bedford Contributory Retirement System:</b>	<u>\$ 284,489,322</u>			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

**Investments Measured at the NAV:**

Investment:	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
UBS Asset Management - Trumbull Property Fund <sup>(1)</sup>	\$ 10,677,031	--	--	30 - 60 day
Loomis Multisector Full Discrn Tr B <sup>(2)</sup>	18,996,761	--	--	30 - 60 day
Blackrock Granite Property Fund <sup>(3)</sup>	14,222,379	--	--	30 - 60 day
Total investments measured at the NAV:	<u>\$ 43,896,171</u>			

*Continued*

<sup>(1)</sup> UBS Asset Management – Trumbull Property Fund

The Trumbull Property Fund LP is a Delaware limited partnership having multiple subsidiaries for its real estate investments. Certain subsidiaries have elected to be taxed as real estate investment trusts (“REITs”) or taxable REIT subsidiaries for U.S. federal income tax purposes. The purpose of the Fund is to actively manage a core portfolio of primarily equity real estate investments located in the United States. The general partner of the Fund is Trumbull Property Fund GP LLC, whose sole member, UBS Realty Investors LLC, provides investment advisory services to the Fund pursuant to one or more Advisory Agreements with the Fund and its subsidiaries. UBS Realty is organized as a limited liability company and has been registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment advisor under the Investment Advisers Act of 1940, as amended, since January 5, 1994.

*Valuation Policy:*

- The real estate investments of the Fund are stated at estimated fair value. Fair value means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of real estate investments do not reflect transaction costs that may be incurred upon disposition of the real estate investments. The Fund’s real estate values do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Amounts ultimately realized from each investment may vary materially from the fair values reflected in the consolidated financial statements.
- A third-party firm is engaged by the Fund to administer the Fund’s valuation policies and procedures, including managing the Fund’s independent appraisal process and reviewing the Fund’s independent appraisals.
- The Fund’s real estate investments are generally appraised every quarter starting with the first full quarter after an investment is made. An independent appraisal of the underlying real estate for each investment is performed annually. This annual appraisal includes a property inspection and market analysis. In the interim quarters, the valuation is updated by the independent appraiser through a restricted appraisal report. In these appraisals, the prior cash flow assumptions for the real estate investments are updated for factual changes, and changes in market conditions are evaluated. All appraisals are certified by members of the Appraisal Institute who hold the MAI designation. Appraisals and appraisal reports are required to comply with the Uniform Standards of Professional Appraisal Practice (“USPAP”), as promulgated by the Appraisal Foundation.

<sup>(2)</sup> Loomis Multisector Full Discretion Trust

- Seeks to maximize total return
- The objective is to outperform Barclays Gov/Credit index over a market cycle although this index is used for comparative purposes and isn’t intended to parallel the risk or investment style of the strategy
- Broad investable universe with flexibility to gain significant exposure to opportunities out of the benchmark including high yield, emerging markets, bank loans, convertibles, preferred equity, asset backed securities, etc.
- Value oriented & opportunistic. Returns typically come from income generation as well as price appreciation
- Long term time horizon

*Valuation Policy:*

In fulfilling its duty to the Fund Board and to its Client Accounts, the Adviser relies on approved pricing vendors and/or broker dealers to furnish Market Quotations, or, in the absence of readily available Market Quotations, it will Fair Value securities in good faith based upon criteria set forth in these Procedures. The Adviser utilizes the Fair Value Information Services (“FVIS”) that is offered by Interactive Data Corporation (“IDC”) to assist in the daily Fair Valuation of certain:

- Foreign equity securities excluding preferred securities (“Foreign Equities”),
- Futures contracts on foreign equity indices (“Foreign Equity Index Futures”),
- Options contracts on foreign equity indices (“Foreign Equity Index Options”), and
- Options contracts on single name foreign equities (“Foreign Single Name Equity Options”)

Furthermore, the Adviser cannot simply rely on pricing vendors to compute value; it must monitor for “significant events” or other factors the effect of which suggest the Market Quotation of a security does not represent an amount the Adviser would reasonably expect to receive upon its current sale. Once the Adviser identifies a significant event or other factor, the Pricing Manager will determine whether the Market Quotation for a security or group of securities as obtained from the regular approved pricing source is (are) reliable and, if the Market Quotation(s) is (are) not deemed to be reliable, the Pricing Manager will determine whether the security(ies) should be priced in accordance with the Procedure’s Standing Instructions, or the Pricing Manager will convene a Pricing Committee meeting to Fair Value such security(ies) in good faith.

**<sup>(3)</sup> BlackRock Granite Property Fund**

BlackRock US Core Property Fund, L.P. is a Delaware limited partnership organized pursuant to the limited partnership agreement dated September 15, 2016. The Fund is organized as a perpetual life, open-end, commingled fund to invest in real estate assets. BLPF GP, LLC, a Delaware limited liability company, serves as general partner hereunder, and each of the persons admitted to the Fund from time to time as Limited Partners. The General Partner holds no percentage interest in the Fund. The General Partner is responsible for the management and administration of the Partnership's affairs.

**<sup>(3)</sup> BlackRock Granite Property Fund (continued)***Valuation Policy:*

- Independent third-party appraisals completed at least annually
- External appraisals performed by independent third-party appraisal firms on a rotation of the lesser of what is mandated by the specific vehicles governing documents or by the local regulatory policy or seven years, through reviewing the external appraisal contracts every three years
- The external appraisers are selected by the Global Head of Real Estate Valuation in conjunction with the Regional Valuation Secretaries based on their experience and qualifications and are considered best in class within their respective region/location
- External appraisals performed in accordance with standards issued by Uniform Standards of Professional Appraisal Practice (USPAP), the Royal Institute of Chartered Surveyors (RICS), or other applicable governing body
- Internal valuations are completed no less than quarterly, except when already subject to an external appraisal
- The Global Real Estate Valuation Policy is subject to review and approval by the VOC and GVMC, and is consistent with applicable firm-wide valuation policies such as the Global Valuation Policy

**Note 6. Receivables**

Real estate and personal property taxes are based on values assessed as of each January 1. Taxes due and unpaid after the respective dates are subject to interest and penalties. The City has the right to begin the lien process on property on which taxes have not been paid after one year following the due date and subsequently foreclose on such property.

Real estate, personal property and other excise tax levies are recorded as receivables and revenue in the fiscal year of the levy. Also, any amounts collected within 60 days after year-end are considered revenue. Taxes collected in advance are considered deferred revenue.

Utility receivables charged for both water and sewer usage is recorded based on billings of the cycle which the sections of the City's meters are read. Utility billing occurs quarterly and when unpaid is added to the property owners tax bill as a water and/or sewer lien.

As part of the Community Development Program, the City administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Certain of these loans are deferred and forgiven if provisions of the loans are met; others are collectible over the term of the mortgage.

	Governmental Activities				Business-Type Activities			
	Major Funds		Non-Major Governmental	Total Governmental	Downtown			Total Business-Type
	General	Wastewater			Water	Airport	Parking	
<b>Receivables:</b>								
Real estate and personal property taxes	\$ 4,130,890	\$ -	\$ -	\$ 4,130,890	\$ -	\$ -	\$ -	\$ -
Tax liens and foreclosures	21,213,470	-	-	21,213,470	-	-	-	-
Motor vehicle and boat excise	1,951,307	-	-	1,951,307	-	-	-	-
User charges receivables	-	2,338,655	-	2,338,655	1,059,742	-	-	1,059,742
Departmental and other	6,491,528	111,067	-	6,602,595	-	-	-	-
Loans receivable	-	-	20,800,686	20,800,686	-	-	-	-
Other receivables	426,504	42,237	2,335,658	2,804,399	787	30,116	3,567	34,470
Special assessments	6,924	103,638	-	110,562	-	-	-	-
Due from federal or state government	18,095	-	17,591,427	17,609,522	-	-	-	-
Gross receivables (governmental and proprietary funds)	34,238,718	2,595,597	40,727,771	77,562,086	1,060,529	30,116	3,567	1,094,212
Less: allowance for uncollectable	(3,726,342)	-	(1,416,711)	(5,143,053)	(252,372)	(9,805)	-	(262,177)
Net total receivables (GWFS)	\$ 30,512,376	\$ 2,595,597	\$ 39,311,060	\$ 72,419,033	\$ 808,157	\$ 20,311	\$ 3,567	\$ 832,035

*Continued*

**Note 7. Tax Abatement Disclosures**

The City's Tax Increment Financing (TIF) Program was created in 1996 to foster investment and job creation by the private sector through short-term tax incentives provided by the Commonwealth and City. This program is administered as the local component of the Commonwealth's Economic Development Incentive Program (EDIP), and is a partnership between the Commonwealth, the municipality and an expanding company. All provisions of the City of New Bedford TIF policy are in accordance with MGL Chapter 40 Section 59 and its implementing regulations found under 760 CMR 22.01. Under the EDIP, the City of New Bedford is an Economic Target Area and Gateway Municipality, and utilizes this designation to address blighted, distressed, and underutilized areas and sites. In a Gateway Municipality, businesses looking to propose for such areas or sites are eligible for greater incentives. A company that intends to locate or expand operations in the City may submit a project proposal for certification to the City of New Bedford Tax Increment Financing Board. Types of eligible projects include: expansion projects, enhanced expansion projects, manufacturing retention projects, or abandoned building renovation projects.

In exchange for job creating and investment commitments, a company's certified project becomes eligible to receive state and local tax benefits to include:

- Local property tax exemptions pursuant to executed TIF or STA agreements
- 100% personal property tax exemption (for executed TIF agreements only)
- 10% abandoned building tax deduction (if applicable)
- Up to 10% enhanced investment tax credit (EOAC)

Certified project proposals must comply with the eligibility guidelines as established by the City of New Bedford Tax Increment Financing Board. The New Bedford Economic Development Council administers the TIF program for the City of New Bedford.

The TIF Board, City Council and the Commonwealth have approved numerous projects since 1996, totaling more than \$18 million in new investment. In total, 10 projects were active at fiscal year ended June 30, 2017 and compliant with the program's reporting requirements, which together have added \$342 million in new private-sector investment, while creating and retaining thousands of jobs in New Bedford.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$505,516 under this program, as follows:

<b>Business Name</b>	<b>Amount of Taxes Abated During Fiscal Year 2017</b>
Natco Corp.	\$ 1,114
Star Holdings LP	95,466
Marlees Seafood, LLC	6,588
Joseph Abboud Manufacturing Corporation	20,913
Great Whale Hospitality Corporation	73,842
M & C Café, Inc	7
New Bedford Urban Renaissance, LLC	1,237
Coggeshall New Bedford, LLC	27,862
AMT Bioproducts Corp.	15,988
HTP, Inc.	57,539
Glassman Services Inc.	15,374
Friendly Fruit Inc.	115,224
Shuster Corp.	74,362
Subtotal:	<u>\$ 505,516</u>

*Continued*

**Note 8. Capital Assets and Depreciation**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><u>Governmental Activities:</u></b>				
Not Being Depreciated:				
Land	\$ 4,187,235	\$ -	\$ -	\$ 4,187,235
Construction in progress	19,340,332	50,047,783	17,755,682	51,632,433
Infrastructure in progress	13,301,998	6,365,909	4,030,393	15,637,514
Subtotal	36,829,565	56,413,692	21,786,075	71,457,182
Other Capital Assets:				
Infrastructure	193,788,649	3,179,483	-	196,968,132
Land improvements	2,286,275	132,443	-	2,418,718
Buildings and improvements	389,582,639	17,072,493	-	406,655,132
Machinery and equipment	58,231,865	742,508	351,600	58,622,773
Office equipment and furniture	14,487,103	146,914	-	14,634,017
Computer equipment	15,017,625	2,108,078	-	17,125,703
Library books and textbooks	11,787,692	552,420	-	12,340,112
Automobiles	14,420,859	2,897,051	496,389	16,821,521
Animals	54,859	-	-	54,859
Subtotal	699,657,566	26,831,390	847,989	725,640,967
Accumulated Depreciation:				
Infrastructure	121,616,132	3,218,019	-	124,834,151
Land improvements	416,567	184,685	-	601,252
Buildings and improvements	138,074,096	12,478,771	-	150,552,867
Machinery and equipment	49,031,019	2,503,265	21,960	51,512,324
Office equipment and furniture	14,259,857	106,379	-	14,366,236
Computer equipment	11,755,675	1,390,697	-	13,146,372
Library books and textbooks	10,713,668	316,305	-	11,029,973
Automobiles	12,698,321	789,035	82,859	13,404,497
Animals	45,198	1,821	-	47,019
Subtotal	358,610,533	20,988,977	104,819	379,494,691
Net other capital assets	341,047,033	5,842,413	743,170	346,146,276
Net capital assets	\$ 377,876,598	\$ 62,256,105	\$ 22,529,245	\$ 417,603,458

The total amount of net capital assets obtained through capital leases totaled \$20,949,791 at June 30, 2017. Total accumulated depreciation against these assets totaled \$3,716,069 at June 30, 2017.

*Continued*

Capital asset activity for the year ended June 30, 2017 for the enterprise funds was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
Not Being Depreciated:				
Land	\$ 1,125,293	\$ -	\$ -	\$ 1,125,293
Construction in progress	-	105,683	-	105,683
Infrastructure in progress	2,486,096	400,390	2,334,367	552,119
Easements	962,500	-	-	962,500
Subtotal	4,573,889	506,073	2,334,367	2,745,595
Other Capital Assets:				
Infrastructure	128,368,464	3,585,082	-	131,953,546
Land improvements	621,822	-	-	621,822
Buildings and improvements	2,610,918	154,042	-	2,764,960
Machinery and equipment	7,615,749	-	-	7,615,749
Office equipment and furniture	102,229	-	-	102,229
Computer equipment	101,871	-	-	101,871
Automobiles	1,862,234	81,963	-	1,944,197
Subtotal	141,283,287	3,821,087	-	145,104,374
Accumulated Depreciation:				
Infrastructure	57,405,709	3,690,989	-	61,096,698
Land improvements	251,116	31,091	-	282,207
Buildings and improvements	884,003	70,619	-	954,622
Machinery and equipment	5,628,016	643,131	-	6,271,147
Office equipment and furniture	102,229	-	-	102,229
Computer equipment	101,871	-	-	101,871
Automobiles	1,432,491	133,711	-	1,566,202
Subtotal	65,805,435	4,569,541	-	70,374,976
Net other capital assets	75,477,852	(748,454)	-	74,729,398
Net capital assets	\$ 80,051,741	\$ (242,381)	\$ 2,334,367	\$ 77,474,993

*Continued*

Depreciation was charged to the functions as follows:

**Governmental Activities:**

General Government	\$ 2,380,793
Public Safety	1,362,992
Education	9,355,290
Public Works	6,800,073
Community and Economic Development	220,066
Health and Human Services	156,768
Culture and Recreation	712,995
	<hr/>
Total Governmental Activities	<u>\$ 20,988,977</u>

**Business-Type Activities:**

Water	2,624,800
Airport	1,849,245
Downtown Parking	95,496
	<hr/>
Total Business-Type Activities	<u>\$ 4,569,541</u>

**Note 9. Pension Plan**

**General Information about the Pension Plan**

*Plan description.* The System is a contributory defined benefit plan, as established by MGL Chapter 32, covering all City of New Bedford Retirement System member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity. The Massachusetts Teacher Retirement System (“MTRS”) administers the pensions of such school employees. The City does not contribute to the MTRS. As required by GASB Statement No. 24, the amount of payments made on behalf of the City of New Bedford by the Commonwealth of Massachusetts into the MTRS totaled \$27,226,871 for the fiscal year ended June 30, 2017 and, accordingly, are reported as intergovernmental revenues and expenditures within the City’s general fund. For further information regarding the MTRS, please see [www.mass.gov/mtrs](http://www.mass.gov/mtrs).

The System qualifies as a cost-sharing multiple employer plan since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Additional disclosures as required by GASB Statement No. 68 with respect to single-employer pension plans were also integrated into this note (where applicable) for enhanced transparency over financial reporting due to the fact that the City of New Bedford is considered the “reporting entity”. Five employers currently participate in the System, the City of New Bedford, the New Bedford Housing Authority, the Greater New Bedford Regional Technical Vocational High School, the Greater New Bedford Regional Refuse Management District, and the Southeastern Regional Transit Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission (“PERAC”). Please see the section below entitled “Contributions” for more information.

The PERAC issues a publicly available report on the City of New Bedford Retirement System pursuant to MGL Chapter 32 Section 21 that can be obtained at [www.mass.gov/perac](http://www.mass.gov/perac). This report contains additional information with respect to the System.

*Benefits provided.* The System provides retirement, disability, and death benefits. Retirement benefits vest after ten years of creditable service and are determined by multiplying average salary by a benefit rate related to the member’s age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member’s highest three year average salary (for employees hired prior to April 2, 2012) or 80% of

*Continued*



the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B and C) per MGL Chapter 32.

Members of the System are eligible for two types disability benefits (ordinary and accidental disability) for which allowances are determined based on the date the member entered the System along with the "group" the member belongs to. Death benefits are also available for members who die as a result of a work-related injury if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired. Allowances for death benefits consist of immediate payments to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary. Other allowances are also entitled to those surviving spouses of the police or fire departments.

Chapter 17 of the Acts of 1997 was adopted by the New Bedford Contributory Retirement System. The result of such adoption allows the Retirement Board to vote to pay a cost of living increase (COLA) for that year, with the percentage determined by the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%.

*Employees covered by benefit terms.* At January 1, 2016 (the most recent actuarial valuation date) the following employees were covered by the benefit terms:

Active plan members	1,959
Inactive plan members	409
Retired, disabled and beneficiaries	<u>1,845</u>
Subtotal	<u><u>4,213</u></u>
Number of participating employers	<u><u>5</u></u>

Participation in the retirement system is mandatory for all full-time employees. For retirement purposes, employees are classified into four classes of membership. Group 3 consists exclusively of the State Police. The other three classes are as follows:

*Group 1* – General employees, including clerical, administrative, technical and all other employees not otherwise classified.

*Group 2* – Certain specified hazardous duty positions.

*Group 4* – Police officers, firefighters, and other specified hazardous positions.

*Contributions.* Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

Under Chapter 32 Section 22F of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040. Thereafter, annual contributions equal to the normal cost will keep the Plan's assets and liabilities in balance. Contributions to the pension plan from participating employers was \$30,810,829 for the fiscal year ended June 30, 2017 as determined by PERAC. Of the \$30,810,829 contributed, \$26,724,377 represents contributions from the City of New Bedford. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2017, the City's average contribution rate was approximately 33 percent of annual payroll.

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

The System's net pension liability was measured as of December 31, 2016 (i.e. the "measurement date" as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial

*Continued*

valuation as of January 1, 2016 performed by Sherman Actuarial Services, LLC. Update procedures were used to roll forward the total pension liability to the measurement date.

At June 30, 2017 (i.e. the “reporting date” as defined by GASB Statement No. 68), the System reported a net pension liability of \$337,763,059 while the City of New Bedford reported a liability of \$292,965,416 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 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 the three participating employers, actuarially determined. The following chart illustrates each employers proportionate share used at the measurement date:

<b>Employer</b>	<b>Fiscal Year 2017 Actual Employer Contributions</b>	<b>Employer Allocation Percentage</b>
City of New Bedford	\$ 26,724,377	86.7370%
New Bedford Housing Authority	2,084,443	6.7653%
Greater NB Regional Voc. Tech HS	1,579,893	5.1277%
Greater NB Regional Refuse Mgmt. District	274,375	0.8905%
Southeastern Regional Transit Authority	147,741	0.4795%
	<u>\$ 30,810,829</u>	<u>100.00%</u>

At December 31, 2016, the City’s proportion was 86.74 percent, which was a increase of 0.44 percent from its proportion measured as of December 31, 2015.

### ***Special Funding Situation***

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers’ Retirement System (MTRS). The MTRS arrangement qualifies as a special funding situation as the City has no obligation to contribute to this plan. Rather the Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The Commonwealth’s proportionate share of the collective net pension liability of the MTRS associated with the City’s employees as of the June 30, 2016 measurement date is \$266.9 million based on an employer allocation percentage of 1.1938%. The Commonwealth contributed \$27.2 million on behalf of the City during the measurement period and the City reported the amount as an intergovernmental revenue and education expenditure in the City’s General Fund.

For the year ended June 30, 2017, the System recognized pension expense of \$30,418,763. Of that amount, the City recognized pension expense of \$26,745,114. At June 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Continued*

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 5,426,981	\$ -
Changes of assumptions	-	11,410,570
Net difference between projected and actual earnings on pension plan investments	17,053,537	1,837,060
Changes in proportion and differences between System contributions and proportionate share of contributions	<u>1,080,375</u>	<u>1,080,605</u>
	<u><u>\$ 23,560,893</u></u>	<u><u>\$ 14,328,235</u></u>

\$0 was reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date of December 31, 2016. Had employer contributions been made subsequent to the December 31, 2016 measurement date, it would have been recognized as a deferred outflow of resources in the year ended June 30, 2017 (per GASB Statement No. 71). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Deferred Outflow Recognition**

##### **Year ended June 30:**

2018	\$ 8,854,851
2019	8,854,851
2020	5,846,138
2021	<u>5,053</u>

Subtotal - all years	<u><u>\$ 23,560,893</u></u>
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#### **Deferred Inflow Recognition**

##### **Year ended June 30:**

2018	\$ 5,929,900
2019	5,929,900
2020	2,004,095
2021	<u>464,340</u>

Subtotal - all years	<u><u>\$ 14,328,235</u></u>
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*Continued*

*Actuarial assumptions.* The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

1. Member Data The member data used in the determination of cost estimates consist of pertinent information with respect to the active, inactive, retired, and disabled members of the employer as supplied by the employer to the actuary.
2. Valuation Date January 1, 2016
3. Actuarial Cost Method The costs of the Plan have been determined in accordance with the individual entry age normal actuarial cost method.
4. Rate of Investment Return It is assumed that the assets of the fund will accumulate at a compound annual rate of 7.75% per annum.
5. Salary Scale It is assumed that salaries including longevity will increase at a rate between 4.5% and 3.25% per year dependent on years of service.
6. Cost-of-Living Increases Cost-of-living increases have been assumed to be 3.0% of the lesser of the pension amount and \$12,000 per year.
7. Value of Investments Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return.
8. Annual Rate of Withdrawal Prior to Retirement Based on an analysis of experience, the assumed annual rates of withdrawal may best be illustrated by the following rates at the following ages:

<u>Service</u>	<u>General Employees</u>	<u>Police and Fire</u>
0	0.2080	0.0150
10	0.0650	0.0150
20	0.0400	0.0000
30	0.0000	0.0000

9. Annual Rate of Mortality It is assumed that both pre-retirement and post retirement mortality are represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members is represented by the RP-2000 Mortality Table.
10. Service Retirement Based on an analysis of experience, the assumed annual retirement rates are illustrated at the following ages:

	<u>Age</u>	<u>Male General Employees</u>	<u>Female General Employees</u>	<u>Male and Female Police and Fire Employees</u>
(Hired prior to April 2, 2012)	50-70	0.036 - 1.00	0.11 - 1.00	0.014 - 1.00
(Hired on or after April 2, 2012)	50-70	0.00 - 1.00	0.000 - 1.00	0.007 - 1.00

11. Annual Rate of Disability Prior to Retirement Based on an analysis of experience, the assumed annual rates of disability may best be illustrated by the following probabilities at the following ages:

<u>Attained Age</u>	<u>General Employees</u>	<u>Police and Fire Employees</u>
20	0.00010	0.0005
30	0.00015	0.0009
40	0.00066	0.0025
50	0.00127	0.0076

*Continued*

In addition, it is assumed for the general employees that 20% of all disabilities are ordinary (80% are service connected). For police and fire employees, 5% of all disabilities are assumed to be ordinary (95% are service connected).

12. Family Composition

It is assumed that 80% of all members will be survived by a spouse and that females (males) are three years younger (older) than members.

13. Administrative Expense  
and Section 3(8)(c)

The normal cost is increased by an amount equal to the anticipated administrative expenses for the upcoming fiscal year. The amount for fiscal year 2016 is \$1,500,000.

The actuarial assumptions used in the January 1, 2016 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the system. No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the actuarial accrued liability occurred during fiscal year 2017.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Current Allocation</b>	<b>Long Term Expected Rate of Return (Average)</b>	<b>Long Term Expected Rate of Return (Compound)</b>
Domestic Equities	30.00%	36.30%	8.80%	7.20%
International Equities	10.00%	10.50%	9.50%	7.50%
Emerging Markets Equities	10.00%	9.90%	11.90%	9.40%
Private Equity	10.00%	4.40%	13.50%	10.90%
Fixed Income	15.00%	13.30%	3.80%	3.60%
Real Estate	10.00%	10.00%	6.60%	5.90%
Alternatives (GTAA)	12.00%	13.60%	5.80%	5.60%
Alternatives (Timber)	3.00%	0.00%	7.90%	7.40%
Cash	0.00%	2.00%	3.20%	3.10%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent (as selected by the Retirement Board; this discount rate approximates the long-term expectation of investment returns). The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long-term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a fully funded status by 2040. In addition, Chapter 32 also gives the Retirement Board the right to go directly to the Assessors of the community and add an additional property tax to bills for amounts not paid by employer. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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**Changes in the Net Pension Liability of the System**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at December 31, 2015</b>	<b>\$ 619,019,767</b>	<b>\$ 274,674,163</b>	<b>\$ 344,345,604</b>
<b>Changes for the year:</b>			
Service cost	9,987,385	-	9,987,385
Interest on liability and service cost	46,957,922	-	46,957,922
Contributions - employer	-	30,810,829	(30,810,829)
Contributions - employee	-	9,042,514	(9,042,514)
Other payments	-	969,196	(969,196)
Net investment income	-	23,322,337	(23,322,337)
Benefit payments, including refunds of employee contributions	(47,075,331)	(47,075,331)	-
Administrative expense	-	(617,024)	617,024
<b>Net changes</b>	<b>9,869,976</b>	<b>16,452,521</b>	<b>(6,582,545)</b>
<b>Balances at December 31, 2016</b>	<b>\$ 628,889,743</b>	<b>\$ 291,126,684</b>	<b>\$ 337,763,059</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the New Bedford Contributory Retirement System (in total) calculated using the discount rate of 7.75 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
New Bedford Contributory Retirement System's net pension liability	\$ 415,687,880	\$ 337,763,059	\$ 281,882,041

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City'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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City's proportionate share of the net pension liability	\$ 360,555,196	\$ 292,965,416	\$ 244,496,026

*Pension plan fiduciary net position.* Detailed information about the System's fiduciary net position is available in the separately issued "PERAC Audit Report" of the New Bedford Contributory Retirement System for the period of January 1, 2011 to December 31, 2013 (most recent available as of the date of this audit report). The market value of the pension trust fund at December 31, 2016 is presented on the "Statement of Fiduciary Net Position."

**Payables to the pension plan**

At June 30, 2017, the City did not report any amounts payable to the System for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. The City paid-in 100% of its required appropriation.

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**Note 10. Post Employment Benefits Other Than Pension***Plan Description*

In addition to the pension benefits described above, the City provides health and life insurance benefits to retirees, their dependents and beneficiaries in accordance with Chapter 32B of Massachusetts General Laws under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

*Funding Policy and Participant Data*

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder (seventy-five percent) of such cost is funded by the City. The City contributes 100% towards a \$5,000 term life insurance premium, retirees contribute \$1.23 per month for coverage. The City currently contributes enough money to the Plan to satisfy current obligations on a “pay-as-you-go” basis. The costs of administering the Plan are paid by the City.

The number of participants as of July 1, 2016, the City’s latest actuarial valuation date, was as follows:

Active employees	2,720
Retired and beneficiaries	<u>3,439</u>
Total	<u><u>6,159</u></u>

*Annual OPEB and Net OPEB Obligation*

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The amount was actuarially determined by using the Projected Unit Credit Cost Method. Under this method the annual contribution consists of two pieces: Normal Cost plus a payment towards the unfunded accrued liability. The normal cost is similarly determined as the present value of the portion of the projected benefit attributable to the current year. The unfunded accrued liability is the accrued liability less the value of any plan assets. The level percent amortization method was utilized to determine the current year ARC. The following table shows the elements of the City’s annual OPEB cost for the year, the amount actually paid on behalf of the Plan (including the actuarially calculated “implicit subsidy”), and changes in the City’s net OPEB obligation to the Plan for the year ended June 30, 2017.

*Calculation of Net OPEB Obligation (NOO)*

Annual Required Contribution (ARC)	\$ 32,437,141
Interest on Net OPEB Obligation	6,642,254
Amortization Credit on NOO	<u>(6,345,419)</u>
Annual OPEB Cost (an expense)	<u>32,733,976</u>
Premiums and Implicit Subsidy Paid	17,102,496
Cash Contributions (to an OPEB Trust)	<u>270,000</u>
Total contributions	<u>17,372,496</u>
Change in Net OPEB Obligation (NOO)	15,361,480
NOO Beginning of Fiscal Year	<u>166,056,347</u>
NOO End of Fiscal Year	<u><u>\$ 181,417,827</u></u>

The projection of benefits is based on the types of benefits provided under the “substantive plan” at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits

*Continued*

for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective, actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The City's annual required contribution, its interest and amortization of the net OPEB obligation (NOO), its annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the three proceeding years were as follows:

<b>Fiscal Year Ended</b>	<b>(a) Annual Required Contribution</b>	<b>(b) Interest on NOO</b>	<b>(c) Amortization of NOO</b>	<b>(d) (a)+(b)-(c) Annual OPEB Cost</b>	<b>(e) Pay-as-you-go Contributions</b>	<b>(f) (e/d) % of OPEB Cost Contributed</b>	<b>(g) (d)-(e) Increase in OPEB Obligation</b>	<b>(h) Net OPEB Obligation (NOO)</b>
6/30/2017	\$ 32,437,141	\$ 6,642,254	\$ 6,345,419	\$ 32,733,976	\$ 17,372,496	53.1%	\$ 15,361,480	\$ 181,417,827
6/30/2016	31,261,415	6,052,997	5,782,496	31,531,916	16,800,505	53.3%	14,731,411	166,056,347
6/30/2015	27,915,680	5,589,735	5,339,936	28,165,479	16,583,924	58.9%	11,581,555	151,324,936
6/30/2014	26,982,418	5,145,817	4,915,857	27,212,378	16,114,434	59.2%	11,097,944	139,743,381

#### *Funded Status and Funding Progress*

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 0.17% funded. The actuarial accrued liability (AAL) for benefits was \$486,302,553, whereas the unfunded AAL was \$485,495,485. During fiscal year 2016, the City contributed a total of \$759,483 into the State Retiree Benefits Trust Fund (SRBTF). During fiscal year 2017, the City contributed another \$270,000 into the Trust. The net asset value of the City's investment in this fund at June 30, 2017 was \$1,186,837.

Amounts determined regarding the funded status of the Plan and the annual required contributions of the City 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, shows disclosures required by GASB-43 for the OPEB Plan. The schedule will eventually provide additional multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan at July 1, 2016, the most recent actuarial valuation, is displayed in the Required Supplementary Information.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health cost trend.

#### *Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan member) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer 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.

The significant methods and assumptions as of the latest actuarial valuation are as follows (see actuarial valuation report for a full listing of methods and assumptions):

Valuation date:	July 1, 2016
Actuarial cost method:	Projected Unit Credit
Asset valuation method:	Fair value of investments
Amortization period:	30-year level percent of pay assuming 3.0% aggregate annual payroll growth, open basis ("pay-as-you-go")
Remaining amortization period:	30 years as of July 1, 2016 for all future valuations ("pay-as-you-go" plan)
Interest discount rate:	Pay-as-you-go: 4.0% per year, net of investment expenses (management's directive)
Healthcare cost trend rate:	6.0% initially, reduced by decrements to an ultimate rate of 4.5% after three years
Participation:	95% of future retirees are assumed to participate in the retiree medical plan. 100% of future retirees are expected to elect life insurance.

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*Allocation of Net OPEB Obligation:*

Net OPEB Obligation (NOO) was allocated to the City's functions as follows:

	<b>NOO June 30, 2016</b>	<b>Change in Net OPEB Obligation (NOO)</b>	<b>NOO June 30, 2017</b>
<b>Governmental Activities:</b>			
General government	\$ 4,679,546	\$ 475,182	\$ 5,154,728
Public safety	47,149,633	3,566,463	50,716,096
Public works	7,686,261	501,759	8,188,020
Education	95,928,869	10,006,538	105,935,407
Health and human services	4,652,844	302,541	4,955,385
Culture and recreation	3,369,301	181,488	3,550,789
Total AOPEBC - governmental activities	<u>\$ 163,466,454</u>	<u>\$ 15,033,971</u>	<u>\$ 178,500,425</u>
<b>Business-Type Activities:</b>			
Water	\$ 2,382,519	\$ 272,058	\$ 2,654,577
Downtown Parking	-	37,593	37,593
Airport	207,374	17,858	225,232
Total AOPEBC - business-type activities	<u>\$ 2,589,893</u>	<u>\$ 327,509</u>	<u>\$ 2,917,402</u>
Total AOPEBC - government-wide	<u>\$ 166,056,347</u>	<u>\$ 15,361,480</u>	<u>\$ 181,417,827</u>

***GASB Statement No. 74 – Financial Reporting for Post Employment Benefits Plans Other Than Pension Plans***

The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces GASB Statements No. 43 and No. 57. GASB Statement No. 74 requires implementation of the standard is the OPEB plan is administered through a trust that meets the criteria of paragraph 3. The City has presented the suggested notes to the financial statements and the required supplementary information beginning with fiscal year 2017. GASB Statement No. 75, to be implemented in fiscal year 2018, will require the City to begin to recognize a liability equal to the net OPEB liability (NOL) on its accrual based financial statements.

GASB Statements No. 74 and 75 changed certain parameters behind the measurement of the Net OPEB liability. For example, under GASB Statements No. 74 and 75, only the “individual entry age” actuarial cost method is allowable. Under GASB Statements No. 43 and 45, a total of six acceptable actuarial cost methods were allowable. Also under GASB Statement No. 74 and 75, the standard takes a different approach to determining the discount rate, based on the funding of the plan. If a plan has some assets, but is projected to be inadequate to pay benefit payments at some point in the future, also known as the “depletion date”, a blended discount rate is used which incorporates both the long-term rate of future investments blended with the 20 year tax-exempt municipal bond rate or index rate. For a full listing of the parameters of GASB Statements No. 74 and 75, please consult the standards on [www.gasb.org](http://www.gasb.org).

To avoid unnecessary duplication, the City presented only the portions of the GASB Statement No. 74 note that were not addressed above by existing GASB Statement No. 45 disclosure requirements.

**Net OPEB Liability of the City**

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB Liability (TOL)	\$ 478,337,191
Less: Plan Fiduciary Net Position (FNP)	<u>(1,186,838)</u>
Net OPEB Liability (NOL)	<u>\$ 477,150,353 *</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.25%</u>

\* The Net OPEB Liability (NOL) will be fully recorded in the financial statements at June 30, 2018 when GASB Statement No. 75 is required to be implemented.

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### Significant Actuarial Methods and Assumptions

The Plan's total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2017 to be in accordance with GASB Statement No. 74:

<b>Valuation Date:</b>	July 1, 2016
<b>Measurement Date:</b>	June 30, 2017
<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Investment Rate of Return:</b>	3.75% (partial prefunding, rate is net of investment expenses)
<b>Healthcare Cost Trend Rate:</b>	6.0% beginning in 2017 and decreasing 0.50% per year until an ultimate trend rate of 4.5% by 2020.
<b>Participation:</b>	95% of future retiree teachers are assumed to participate in the retiree medical plan, 95% of future non-teacher retirees are expected to participate in the retiree medical plan and 100% of future retirees are expected to elect life insurance

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75%) or 1-percentage point higher (4.75%) than the current discount rate:

	<b>1% Decrease (2.75%)</b>	<b>Current Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
Total OPEB Liability	\$ 558,730,324	\$ 478,337,191	\$ 414,559,278
Less: Plan Fiduciary Net Position	(1,186,838)	(1,186,838)	(1,186,838)
Net OPEB Liability	\$ 557,543,486	\$ 477,150,353	\$ 413,372,440

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current Trend</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 420,917,269	\$ 478,337,191	\$ 574,663,358
Less: Plan Fiduciary Net Position	(1,186,838)	(1,186,838)	(1,186,838)
Net OPEB Liability	\$ 419,730,431	\$ 477,150,353	\$ 573,476,520

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**Note 11. Commitments**

The City has committed \$ 47 thousand in encumbrances for purchase orders, contract, and judgments and claims in the General Fund, \$ 266 thousand in the Special Revenue Fund, \$13.9 million in the Capital Projects Fund, and \$6 thousand in Other Governmental Funds.

**Capital Leases**

The City is obligation under certain leases accounted for as capital leases. The obligation for the leases in accounted for in Government-Wide Financial Statements as a governmental liability. The following is a schedule of future minimum lease payments under capital leases.

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Primary Government</b>
2018	\$ 2,213,366	\$ 58,714	\$ 2,272,080
2019	2,097,530	-	2,097,530
2020	2,015,126	-	2,015,126
2021	1,763,410	-	1,763,410
2022	1,654,585	-	1,654,585
2023 - 2028	11,113,598	-	11,113,598
Minimum lease payments for all capital leases	\$ 20,857,615	\$ 58,714	\$ 20,916,329
Less: amount representing interest	(3,076,533)	(1,550)	(3,078,083)
Present value of net minimum lease payments	<u>\$ 17,781,082</u>	<u>\$ 57,164</u>	<u>\$ 17,838,246</u>

The following is a schedule of the changes in capital leases as of the year ended June 30, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Interest Paid</b>	<b>Ending Balance</b>
<b><u>Governmental Activities</u></b>					
All American Investment Group - Sch. #10	\$ 43,556	\$ -	\$ 41,888	\$ 1,668	\$ -
Oshkosh Capital / PNC	969,895	-	133,055	28,594	808,246
All American Investment Group - Sch. #17	125,633	-	78,214	5,542	41,877
All American Investment Group - Sch. #11	86,454	-	54,025	3,703	28,726
All American Investment Group - Sch. #16	99,299	-	46,045	3,955	49,299
Oshkosh Capital / PNC	1,165,492	-	129,871	36,628	998,993
All American Investment Group - Sch. #15	47,938	-	45,477	2,461	-
All American Investment Group - Sch. #14	33,680	-	31,951	1,729	-
All American Investment Group - Sch. #18	755,348	-	169,155	19,682	566,511
All American Investment Group - Sch. #19	84,907	-	82,602	2,305	-
All American Investment Group - Sch. #20	32,609	-	15,451	853	16,305
All American Investment Group - Sch. #21		61,792	20,597	-	41,195
All American Investment Group - Sch. #1		487,027	74,697	6,474	405,856
All American Investment Group - Sch. #1		655,557	122,990	8,121	524,446
Oshkosh Capital / PNC		1,404,648	-	-	1,404,648
Master Energy Management Services Agreement - Siemens Industry, Inc. / First Niagara	16,735,260	-	332,778	430,967	15,971,515
<b>Total Governmental Activities</b>	<u>\$ 20,180,071</u>	<u>\$ 2,609,024</u>	<u>\$ 1,378,796</u>	<u>\$ 552,682</u>	<u>\$ 20,857,617</u>
<b><u>Business-Type Activities</u></b>					
All American Investment Group - Sch. #11	\$ 201,721	\$ -	\$ 193,079	\$ 8,642	\$ -
All American Investment Group - Sch. #13	83,238	-	78,965	4,273	-
All American Investment Group - Sch. #20	117,431	-	57,718	997	58,716
<b>Total Business-Type Activities</b>	<u>\$ 402,390</u>	<u>\$ -</u>	<u>\$ 329,762</u>	<u>\$ 13,912</u>	<u>\$ 58,716</u>
<b><u>Total Governmental and Business-Type Activities</u></b>	<u>\$ 20,582,461</u>	<u>\$ 2,609,024</u>	<u>\$ 1,708,558</u>	<u>\$ 566,594</u>	<u>\$ 20,916,333</u>

*Continued*

## Master Energy Management Services Agreement

On May 17, 2015, the City entered into a Master Energy Management Services Agreement (Agreement) with Siemens Industry, Inc., an energy service company, or ESCO, for the design, implementation, and monitoring of conservation and facilities improvement measures at various municipal and school facilities, together with initial task orders totaling \$14,433,059. As part of the Agreement, Siemens guaranteed energy savings of 3.6 million kilowatt hours of electricity, 110,000 therms of natural gas, and 102,000 gallons of fuel annually for the 15-year performance period under the initial task orders, for a total estimated savings of \$15.3 million over the term of the Agreement.

Initial task orders will be funded through a \$13,505,000 lease-purchasing agreement (Lease) dated October 8, 2015 between the City (Lessee) and First Niagara Leasing, Inc (Lessor), which transfers ownership of all leased property to the City at the end of its 15-year term. The Lease will be amortized over 29 semi-annual payments that include interest at the rate of 2.68% per annum, plus an initial interest-only payment of \$332,778, which the City made on October 1, 2016. Interest to be paid over the life of the lease will total \$3,230,260.

The City has accounted for the arrangement as a capital lease under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Accordingly, the City recorded a capital asset for \$13,505,000 at the beginning of the lease term of minimum lease payments per GASB Statement No. 62, paragraph 216 and is depreciating that asset over the life of the agreement.

## Operating Leases

The City of New Bedford has entered into various operating leases for real property, machinery and equipment. Several leases contain a renewal option for varying periods at similar or reduced annual rates. As of June 30, 2017, future minimum rental payments under operating leases that have initial or remaining non-cancellable lease terms are immaterial.

## Note 12. Contingencies

### A. Wastewater Capital Improvement Program

To date, the City has financed the Wastewater Capital Improvement Program, through direct loans from the Massachusetts Water Pollution Trust totaling approximately \$140 million, which loans were secured by the issuance of City Revenue Bonds pursuant to the General Resolution.

In addition, the City anticipates that it may receive funding from certain state and federal grants and from the settlement of environmental Superfund litigation between the EPA and other parties (not including the City) related to the City's Inner Harbor.

The residual cost of the facility to be funded through user fees and tax levy cannot presently be determined. No provision for any liability that may result has been made in the basic financial statements.

The City of New Bedford has signed a consent decree with the Environmental Protection Agency ("EPA"), Commonwealth of Massachusetts Department of Environmental Protection ("DEP") and the Conservation Law foundation concerning the construction of waste treatment facilities, the reduction of combined sewer overflows and compliance with certain provisions of the Clean Water Act (the "Act"). The consent decree required, among other things, the building and full operation of a Secondary Treatment Plant by January 19, 1997. Based upon final specifications and the City's recommended plan for compliance, the City has estimated that total construction costs for the waste treatment program will be approximately \$193.2 million based on present day construction costs.

### B. Sullivan's Ledge Escrow Fund

The City has received notice from the EPA that it may be liable, along with several third parties jointly and severally, for costs associated with the clean-up of pollutants at Sullivan's Ledge. Management has indicated that the City's liability for the clean-up of this dump site will be \$600,000 for the Sullivan's Ledge Middle Marsh area (Operable Unit #2), broken down into payments of \$300,000 in fiscal 1998 and \$300,000 in fiscal 1998 plus \$30,000 for fencing in fiscal 1993. For Operable Unit #1, negotiations are currently in progress. Settlement was reached with the government in November 1994 to provide maintenance at site. The City has agreed to appropriate in an escrow account \$15,000 per year beginning in fiscal 1998 for thirty years (until 2028) as financial security.

- Operation and maintenance of the following activities beginning in year 1 for 30 years:

*Continued*

	<u>Yearly</u>	<u>30 Year Total</u>
Treatment Plant	\$ 227,000	\$ 6,825,000
Cap Maintenance	7,720	512,000
Fence Maintenance and Repair	2,400	159,000
Traffic Control (2 years)	<u>50,000</u>	<u>100,000</u>
	<u>\$ 287,120</u>	<u>\$ 7,596,000</u>

### C. City Commitment to Private Parties

The City will put \$700,000 into an interest bearing account that is exclusively available to the Group in the event that the City fails to adequately perform its in-kind service obligations. This \$700,000 would be deposited into the escrow on the following schedule: \$300,000 on July 1, 1998 and \$100,000 on July 1 of each consecutive year for four years. The principal and interest would remain in the account for 15 years (or until July 1, 2013). The City could then annually draw down the escrow in 1/15 increments.

#### Note 13. Lease Revenues

The City of New Bedford leases property on Hathaway Road to Johnson Turf and Golf Management, Inc. Areas of the land were designated part of the Sullivan Ledge Superfund site, as determined by the Environmental Protection Agency. The lease is for 35 years and began March 24, 2000 and is for \$120,000 per year less a credit of \$5,333 for unanticipated water consumption costs. In addition, this fee can be abated for individuals who had a membership to play at the Whaling City Golf Course during the 1999 calendar year up to a sum of \$100,000. The remaining fee will be adjusted annually by the consumer price index beginning in 2005.

The land was leased for the operation of an 18 hole public golf course. As stated in the lease agreement, the Whaling City Golf course is required to submit to the City of New Bedford, a certified annual audit of the financial records. The City received audited financial statements for 2007 and 2009 that were completed and delivered in the City's fiscal year 2011. Pending litigation to determine the amount of back and future rent due to the City is due and will be resolved in calendar year 2011. Audited financials of the golf course for the 2016 calendar year have not been received.

#### Note 14. Joint Venture

The City of New Bedford, the Harbor Development Commission, and the Redevelopment Authority have joined in an agreement with the Whale's Tooth Parking Lot. The City of New Bedford owns this parcel of land and has bought all lighting and fixtures associated with the parking lot. The agreement between the parties is that the Harbor Development Commission will operate the parking lot and collect all parking lot revenues and will pay for all expenditures associated with the parking lot. When profits are generated from the parking lot operations, the Harbor Development Commission will begin to pay back the City of New Bedford for the fixtures and equipment that the City placed into service to operate the parking lot. Five percent of any revenue over budgeted expenditures will be remitted to the Redevelopment Authority for their involvement in the project.

#### Note 15. Debt

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANS or TANS);
- Special Revenue, capital projects and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANS) and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANS and SAANS).

The City issued Bond Anticipation Notes, dated April 19, 2017 for the purposes noted on the following page.

*Continued*

## Defeasance of Debt

Advance refundings of 2008 and 2010 (prior periods) resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$1,939,000. This difference was reported in the accompanying financial statements net of amortization as a deferred outflow of resources and is being charged to operations through the year 2021 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$1,877,713.

In the current period, the City issued \$14.430 million of refunding bonds for both February 1, 2008 and February 1, 2010 general obligation bonds. The cash flow difference and economic gain (the difference between the present value of the debt service payments and the old and new debt) obtained from the August 10, 2016 refunding were \$1,251,419 and \$1,551,481, respectively.

At fiscal year-end 2017, the total deferred asset (now classified as a “deferred outflow of resources”) related to debt refundings is \$1,560,046 in the government-wide statement of net-position to be fully amortized by the year 2035 (the year in which the defeased debt would have matured).

The City has the following bond anticipation notes (BANs) payable outstanding at June 30, 2017:

	Beginning Balance	Additions/ Renewals	Retirements	Ending Balance	Issuance Date	Maturity Date	Interest Rate	Interest Paid
<b>Capital Projects:</b>								
BAN - High School Improvements	\$ 1,232,882	\$ -	\$ 1,232,882	\$ -	05/03/16	05/03/17	1.82%	\$ 22,470
BAN - Parker Elementary School	-	6,336,514	-	6,336,514	04/19/17	05/03/18	2.00%	-
BAN - Taylor School at SeaLab Construction	4,831,000	4,831,000	4,831,000	4,831,000	04/19/17	05/03/18	2.00%	88,048
BAN - City Building Repairs	4,970,000	-	4,970,000	-	05/03/16	05/03/17	1.82%	90,582
BAN - Hannigan School Demolition & PreK-5 Construction	11,256,000	13,000,000	11,256,000	13,000,000	04/19/17	05/03/18	2.00%	205,150
BAN - School Repair Projects	2,850,000	2,850,000	2,850,000	2,850,000	04/19/17	05/03/18	2.00%	51,943
BAN - Elm Street Parking Garage Reconstruction	3,170,000	3,170,000	3,170,000	3,170,000	04/19/17	05/03/18	2.00%	57,776
BAN - City-Owned Building Repairs	5,509,000	5,509,000	5,509,000	5,509,000	04/19/17	05/03/18	2.00%	100,408
Total Capital Projects	\$ 33,818,882	\$ 35,696,514	\$ 33,818,882	\$ 35,696,514				\$ 616,377
Total Primary Government	\$ 33,818,882	\$ 35,696,514	\$ 33,818,882	\$ 35,696,514				\$ 616,377

Changes in balances of long-term liabilities including current portion are as follows:

	Maturity Dates	Beginning Balance	Additions	Advance Refunding Net of Refunding	City Retirements	State Subsidies	Ending Balance	Balance Due in 2018
<b>Governmental Activities</b>								
4.25-5.00% G.O. Bond	10/14/98-10/01/18	\$ 745,000	\$ -	\$ -	\$ 238,000	\$ -	\$ 507,000	\$ 249,000
4.25-5.00% G.O. Bond	10/14/98-10/01/18	1,154,000	-	-	387,000	-	767,000	385,000
4.25-5.50% G.O. Bond	05/01/02-05/01/21	16,476,000	-	-	3,052,000	-	13,424,000	3,159,000
4.00-5.25% Revenue Bond	02/01/98-02/01/99	67,370,000	-	-	3,052,055	2,867,945	61,450,000	6,090,000
4.00-6.00% Revenue Bond	08/01/01-08/01/31	3,545,000	-	-	150,944	34,056	3,360,000	185,000
HUD 108 - 2003-A	02/01/04-08/01/22	740,000	-	-	105,000	-	635,000	105,000
.85% Revenue Bond	07/15/06-07/15/25	331,262	-	-	30,225	-	301,037	30,836
.85% Revenue Bond	02/15/07-02/15/27	3,933,601	-	-	156,581	-	3,777,020	160,235
Pool 11 MWPAT 03-36A	03/18/09-07/15/35	481,572	-	-	18,946	-	462,626	19,410
General Obligation State Qualified Bond	02/15/07-02/15/27	1,105,000	-	-	1,105,000	-	-	-
General Obligation Series A Bonds	02/14/08-10/01/27	8,060,000	-	(5,970,000)	680,000	-	1,410,000	695,000
General Obligation Series A Bonds	02/14/08-10/01/22	230,000	-	-	230,000	-	-	-
General Obligation State Qualified 2010	02/11/10-06/30/35	2,170,000	-	(815,000)	320,000	-	1,035,000	335,000
General Obligation State Qualified	03/18/09-07/15/28	415,000	-	-	100,000	-	315,000	100,000
2.4 % Revenue Bond	07/08/10-07/15/40	5,827,239	-	-	172,169	-	5,655,070	176,351
General Obligation State Series A Bonds	06/14/12-06/30/32	2,055,000	-	-	160,000	-	1,895,000	170,000
General Obligation State Series B Bonds	06/14/12-06/30/32	3,925,000	-	-	180,000	-	3,745,000	185,000
MWPAT Series 16 CWS-09-12-A	06/13/12-01/15/43	9,685,630	-	-	253,599	-	9,432,031	260,071
General Obligation State Qualified	02/07/13-06/30/33	3,020,000	-	-	185,000	-	2,835,000	190,000
GO State Qualified School Project Loan, Ch 70B	02/06/14-06/30/39	9,630,000	-	-	260,000	-	9,370,000	275,000
General Obligation State Qualified	03/05/15-12/01/42	7,510,000	-	-	375,000	-	7,135,000	685,000
General Obligation Bonds Refunding	10/16/14-02/15/27	11,355,100	-	-	815,000	-	10,540,100	1,390,000
MCWT CWP-14-19	02/11/16-01/16/46	8,063,124	-	-	181,245	-	7,881,879	185,926
Municipal Purpose Loan of 2016 Bonds	02/04/16-06/30/44	13,955,000	-	-	1,015,000	-	12,940,000	850,000
Municipal Purpose Loan of 2017 Bonds	09/01/17-06/30/45	-	4,955,000	-	-	-	4,955,000	265,000
\$14.430M GO State Qualified Refunding Bonds	08/10/16-06/30/35	-	-	14,215,000	-	-	14,215,000	-
MCWT CW-13-04	07/15/17-01/15/37	-	2,095,000	-	-	-	2,095,000	84,744.00
MCWT CWP-14-19-A	07/15/17-01/15/47	-	2,681,930	-	-	-	2,681,930	60,284.00
Compensated absences	N/A	15,664,598	115,801	-	-	-	15,780,399	5,523,140
Capital leases	N/A	16,688,491	2,411,596	-	1,319,005	-	17,781,082	1,749,693
<b>Total Governmental Activities</b>		<b>\$ 214,135,617</b>	<b>\$ 12,259,327</b>	<b>\$ 7,430,000</b>	<b>\$ 14,541,769</b>	<b>\$ 2,902,001</b>	<b>\$ 216,381,174</b>	<b>\$ 23,563,690</b>

*Continued*

Changes in balances of long-term liabilities including current portion are as follows (continued):

	<b>Maturity Dates</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Advance Refunding Net of Refunding</b>	<b>City Retirements</b>	<b>State Subsidies</b>	<b>Ending Balance</b>	<b>Balance Due in 2018</b>
<b>Business-Type Activities</b>								
General Obligation State Qualified	02/07/13-06/30/33	\$ 710,000	\$ -	\$ -	\$ 35,000	\$ -	\$ 675,000	\$ 35,000
Municipal Purpose Loan of 2016 Bonds	02/04/16-06/30/44	307,000	-	-	7,000	-	300,000	5,000
Compensated absences	N/A	34,561	4,306	-	-	-	38,867	13,603
Capital leases	N/A	-	-	-	-	-	-	-
<b>Total Airport Enterprise</b>		<b>1,051,561</b>	<b>4,306</b>	<b>-</b>	<b>42,000</b>	<b>-</b>	<b>1,013,867</b>	<b>53,603</b>
Compensated absences		46,535	1,678	-	-	-	48,213	16,875
Capital leases		196,194	-	-	129,830	-	66,364	66,364
<b>Total Downtown Parking Enterprise</b>		<b>242,729</b>	<b>1,678</b>	<b>-</b>	<b>129,830</b>	<b>-</b>	<b>114,577</b>	<b>83,239</b>
4.25-5.50% G.O. Bond	05/01/02-05/01/21	530,000	-	-	108,000	-	422,000	107,000
.85% Revenue Bond	08/01/03-08/01/24	334,205	-	-	31,062	13,046	290,097	44,108
.85% Revenue Bond	08/01/03-08/01/24	665,000	-	-	62,522	22,478	580,000	90,000
.85% Revenue Bond	02/01/05-08/01/24	1,130,000	-	-	110,000	-	1,020,000	110,000
.85% Revenue Bond	02/01/05-08/01/24	2,223,787	-	-	214,883	-	2,008,904	219,880
2% MWPAT Bond	12/14/06 - 7/15/26	244,948	-	-	20,108	-	224,840	20,514
2% MWPAT Bond	12/14/06-07/15/26	3,628,289	-	-	297,859	-	3,330,430	303,876
.85% Revenue Bond	12/14/06-07/15/26	5,563,719	-	-	378,521	-	5,185,198	386,167
General Obligation State Qualified 2010	03/18/09-07/15/28	8,900,000	-	(7,550,000)	320,000	-	1,030,000	330,000
MWPAT Series 16 DW-09-23	06/13/12-01/15/33	1,673,825	-	-	82,443	-	1,591,382	84,235
\$14.430M GO State Qualified Refunding Bonds	08/10/16-06/30/35	-	-	215,000	-	-	215,000	-
MCWT DWP-14-05	07/15/17-01/15/37	-	4,466,812	-	-	-	4,466,812	180,686
MCWT DWP-15-03	07/15/17-01/15/37	-	4,140,212	-	-	-	4,140,212	167,475
Compensated absences	N/A	407,011	-	-	7,131	-	399,880	139,958
Capital leases	N/A	193,346	-	-	136,181	-	57,165	57,165
<b>Total Water Enterprise</b>		<b>25,494,130</b>	<b>8,607,024</b>	<b>(7,335,000)</b>	<b>1,768,710</b>	<b>35,524</b>	<b>24,961,920</b>	<b>2,241,064</b>
<b>Total Business-Type Activities</b>		<b>\$ 26,788,420</b>	<b>\$ 8,613,008</b>	<b>\$ (7,335,000)</b>	<b>\$ 1,940,540</b>	<b>\$ 35,524</b>	<b>\$ 26,090,364</b>	<b>\$ 2,377,906</b>
<b>Total Government-Wide</b>		<b>\$ 240,924,037</b>	<b>\$ 20,872,335</b>	<b>\$ 95,000</b>	<b>\$ 16,482,309</b>	<b>\$ 2,937,525</b>	<b>\$ 242,471,538</b>	<b>\$ 25,941,596</b>

The payment of long-term obligation of the government activities, except for health and life claims, is the responsibility of either the City's General Fund or the City's Wastewater Special Revenue Fund. Health and life claims are the responsibility of the City's Internal Service Fund.

The payment of long-term obligations of the business-type activities are the responsibility of the applicable enterprise fund (airport, downtown parking and water).

*Continued*

## Debt service requirements to maturity:

Fiscal Year Ended June 30,	Total Principal	Total Interest	Total Debt	Less: MSBA Roosevelt Jr. High School Grant Payments (Principal)	Less: Total Subsidized Payments MWPAT Principal (Sewer)	Less: Total Subsidized Payments MWPAT Principal (Water)	Less: Total Subsidized Payments MWPAT Interest (Total)	Total City Debt Service (including interest cost)
2018	\$ 18,374,798	\$ 7,119,869	\$ 25,494,667	\$ 2,415,527	\$ 2,996,220	\$ 37,792	\$ 2,062,196	\$ 21,016,944
2019	18,924,208	6,527,446	25,451,654	2,415,527	3,088,870	39,559	1,828,457	21,207,670
2020	18,594,694	5,742,968	24,337,662	2,415,527	3,186,369	42,521	1,596,670	20,325,465
2021	18,636,291	4,945,805	23,582,096	2,415,527	3,282,267	44,380	1,356,671	19,809,898
2022	15,189,022	4,157,641	19,346,663	-	3,400,473	49,946	1,087,486	18,259,177
2023	14,807,913	3,575,238	18,383,151	-	3,498,309	61,375	826,496	17,556,655
2024	14,793,702	2,986,963	17,780,665	-	3,604,095	22,062	563,845	17,216,820
2025	14,873,298	2,359,627	17,232,925	-	3,785,750	29,237	252,083	16,980,842
2026	13,949,288	2,021,959	15,971,247	-	3,848,606	-	220,333	15,750,914
2027	5,704,580	1,656,722	7,361,302	-	66,255	-	55,216	7,306,086
2028	4,725,934	1,499,454	6,225,388	-	70,758	-	45,091	6,180,297
2029	4,746,906	1,361,194	6,108,100	-	75,345	-	34,723	6,073,377
2030	4,393,141	1,227,591	5,620,732	-	80,099	-	23,973	5,596,759
2031	4,376,589	1,097,326	5,473,915	-	85,026	-	8,112	5,465,803
2032	4,076,073	972,967	5,049,040	-	-	-	-	5,049,040
2033	3,751,624	857,327	4,608,951	-	-	-	-	4,608,951
2034	3,669,438	759,140	4,428,578	-	-	-	-	4,428,578
2035	3,749,606	660,117	4,409,723	-	-	-	-	4,409,723
2036	3,185,860	566,661	3,752,521	-	-	-	-	3,752,521
2037	2,999,091	481,527	3,480,618	-	-	-	-	3,480,618
2038	2,420,542	396,294	2,816,836	-	-	-	-	2,816,836
2039	2,494,043	320,968	2,815,011	-	-	-	-	2,815,011
2040	1,933,267	256,376	2,189,643	-	-	-	-	2,189,643
2041	1,998,230	202,613	2,200,843	-	-	-	-	2,200,843
2042	1,735,232	150,697	1,885,929	-	-	-	-	1,885,929
2043	1,779,113	101,061	1,880,174	-	-	-	-	1,880,174
2044	1,077,816	58,356	1,136,172	-	-	-	-	1,136,172
2045	710,157	34,162	744,319	-	-	-	-	744,319
2046	502,817	15,099	517,916	-	-	-	-	517,916
2047	126,295	3,032	129,327	-	-	-	-	129,327
	<u>\$ 208,299,568</u>	<u>\$ 52,116,200</u>	<u>\$ 260,415,768</u>	<u>\$ 9,662,108</u>	<u>\$ 31,068,442</u>	<u>\$ 326,872</u>	<u>\$ 9,961,352</u>	<u>\$ 240,792,308</u>

The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$31,395,314 and interest costs totaling \$9,961,352. The principal subsidies are guaranteed and therefore a \$31,395,314 intergovernmental receivable has been reported in the governmental and business-type activities (economic resources measurement focus and the accrual basis of accounting). Since the City is legally obligated for the total amount of the debt, as per the financing agreements with the MCWT, and each borrower is required to deliver its own general or special bond obligations to the Trust in order to secure its loan repayment obligations, such amounts have also been recorded in the governmental and business-type activities. For the fiscal year ended June 30, 2017, principal and interest subsidies from the MCWT totaled \$2,937,524 and \$2,937,524, respectively. On the modified accrual basis of accounting, the principal and interest subsidies were recorded as revenue and expenditures during the current year. Revenue recognition criteria on the modified accrual basis states that revenue should be recognized only when it is both “measurable” and “available for current period expenditure”. For the fiscal year ended June 30, 2016, the principal and interest subsidies from the MCWT totaled \$3,003,231 and \$2,387,105, respectively.

Continued



The following is a summary of MCWT principal subsidies at June 30, 2017 by loan agreement:

	Wastewater Special Revenue	Water Enterprise	Total
Federal Loan 1996	-	-	-
Federal Loan 1998	\$ 30,170,957	\$ -	\$ 30,170,957
Series 6 99-26	578,687	-	578,687
Series 6 98-141	318,798	-	318,798
<b>Total Governmental Activities</b>	<b>31,068,442</b>	<b>-</b>	<b>31,068,442</b>
Series 8 DW 00-12	-	87,973	87,973
Pool 9 DW 00-12A	-	171,414	171,414
Pool 10 DW 02-13	-	22,696	22,696
Pool 10 DW 02-20	-	44,789	44,789
<b>Total Business-Type Activities</b>	<b>-</b>	<b>326,872</b>	<b>326,872</b>
<b>Total Government-Wide</b>	<b>\$ 31,068,442</b>	<b>\$ 326,872</b>	<b>\$ 31,395,314</b>

A similar situation is also currently occurring with respect to the principal and interest subsidizations by the Massachusetts School Building Authority (MSBA) for project identification number C200013753, Roosevelt Middle School. At June 30, 2017 principal in the amount of \$9,662,108 is due to the City under a reimbursement agreement under old School Building Authority rules. The principal subsidies are guaranteed and therefore a \$9,662,108 intergovernmental receivable has been reported in the governmental activities (economic resources measurement focus and the accrual basis of accounting). Since the City is legally obligated for the total amount of the debt on this project, such amounts have also been recorded in the governmental activities. For the fiscal year ended June 30, 2017, principal subsidies from the MSBA totaled \$2,415,527. On the modified accrual basis of accounting, the principal subsidies were recorded as revenue in the City's general fund during fiscal year 2017. Revenue recognition criteria on the modified accrual basis states that revenue should be recognized only when it is both "measurable" and "available for current period expenditure". For the fiscal year ended June 30, 2016, the principal subsidies from the MSBA totaled \$2,415,527.

#### *Authorized & Unissued Debt:*

The City had debt authorized but unissued at June 30, 2017 as follows:

Purpose	Amount
Governmental Projects	\$ 13,536,088
School Projects	186,124,640
Airport Projects	10,490,794
Water & Sewer Projects	195,233,104
<b>Total Authorized &amp; Unissued:</b>	<b>\$ 405,384,626</b>

#### *Debt Capacity*

The City is subject to a dual general debt limit: the normal debt limit, and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the Massachusetts Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Secretary of Administration and Finance. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

*Continued*

General obligation debt outstanding at June 30, 2017 is \$138.2 million whereas \$323.0 million is subject to the debt limit and is authorized and unissued at fiscal year ended June 30, 2017. Total outstanding debt plus the amount which is authorized and unissued equals \$461.2 million (gross debt). Of the total gross debt, \$314.9 million is exempt from the debt limit, leaving \$146.3 million subject to the debt limit. The Normal Debt Limit is 5% of equalized valuation per MGL, totaling \$266.7 million. Subtracting the amount subject to the debt limit (\$146.3 million) from the Normal Debt Limit (\$266.7 million) will total the amount the City may issue as of June 30, 2017 of additional general obligation debt which is under the debt limit (\$120.4 million).

#### **Note 16. Fund Balance Classification Details**

The components of fund balance for the City's governmental funds as of June 30, 2017 are as follows:

	<b>Major Funds</b>		<b>Non-Major Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Wastewater</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Trusts</b>	
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Long-term receivable - discretely presented component units	\$ 1,500,816	\$ -	\$ -	\$ -	\$ -	\$ 1,500,816
Corpus of cemetery perpetual care fund	-	-	-	-	4,016,748	4,016,748
Corpus of other endowment funds	-	-	-	-	1,110,663	1,110,663
Inventory	-	26,373	-	-	-	26,373
<b>Restricted for:</b>						
General government activity	-	-	2,909,599	875,465	7,684	3,792,748
Public safety operations	-	-	1,929,790	4,936	-	1,934,726
Educational purposes	-	-	8,176,935	-	661,013	8,837,948
Public works	-	-	1,612,963	2,831,798	-	4,444,761
Community housing and development	-	-	2,302,339	-	-	2,302,339
Culture and recreational purposes	-	-	4,904,879	4,619	2,112,700	7,022,198
Health and human services	-	-	414,658	-	641,266	1,055,924
Municipal airport	-	-	235	145,853	-	146,088
Wastewater debt service	-	2,362,059	-	-	-	2,362,059
Wastewater renewal and replacement	-	1,763,827	-	-	-	1,763,827
<b>Committed to:</b>						
Economic stabilization	9,671,585	-	-	-	-	9,671,585
Public safety	-	-	134,222	-	-	134,222
Public works	-	-	1,052,008	-	-	1,052,008
Wastewater special projects	-	568,534	-	-	-	568,534
Wastewater operations	-	3,222,413	-	-	-	3,222,413
<b>Assigned to:</b>						
Encumbrances	143,081	8,623	-	-	-	151,704
<b>Unassigned:</b>	<u>16,662,603</u>	<u>-</u>	<u>(492,482)</u>	<u>(20,031,826)</u>	<u>-</u>	<u>(3,861,705)</u>
<b>Total Net Position (Governmental Funds):</b>	<u>\$ 27,978,085</u>	<u>\$ 7,951,829</u>	<u>\$ 22,945,146</u>	<u>\$ (16,169,155)</u>	<u>\$ 8,550,074</u>	<u>\$ 51,255,979</u>

At June 30, 2017, the balance of the stabilization funds (City and School) were \$9,671,585 and are reported as committed fund balance within the general fund. The stabilization fund balance can be used for economic stabilization purposes upon approval of the City Council.

At June 30, 2017, significant negative unassigned balances are reported within the capital projects funds. This can be attributed to the City's short-term borrowing within those funds combined with the changes in fund balance classifications required by GASB Statement No. 54. These negative balances will be alleviated by the proceeds from future long-term borrowings that relate to these projects.

*Continued*

**Note 17. Restricted Fund Balances (Government-Wide Financial Statements)**

Net position was restricted at the government-wide financial statement level as follows:

**Net Position:****Restricted:**

Corpus of endowment funds	\$ 5,127,411
General government activity	3,792,748
Public safety operations	1,934,726
Educational purposes	8,837,948
Public works	4,444,761
Community housing and development	2,302,339
Culture and recreational purposes	7,022,198
Health and human services	1,055,924
Municipal airport	146,088
Wastewater debt service	2,362,059
Wastewater renewal and replacement	1,763,827
Total restricted net position - governmental activities	<u>\$ 38,790,029</u>
Water enterprise - restricted for stabilization fund	3,489,395
Airport enterprise - restricted for stabilization fund	<u>176,326</u>
Total restricted net position - business-type activities	<u>\$ 3,665,721</u>
Total restricted net position - government-wide financial statements	<u>\$ 42,455,750</u>

In addition, at fiscal year ended June 30, 2017, management has designated within the water, airport and downtown parking enterprise funds amounts of \$28 thousand, \$0 and \$0 for encumbrances (respectively). Management has also designated amounts of \$0 within the water, airport, and downtown parking enterprise fund for future expenditures. Per GASB 34 paragraph 37, “in contrast to *restricted* net position, these types of constraints on resources are internal and management can remove or modify them.” Under GASB Statement No. 34, designated amounts are considered to be a part of “unrestricted net position”.

**Note 18. Workers’ Compensation**

Workers’ compensation claims are administered by a third party administrator and are funded on a pay-as-you go basis from annual appropriations (charged to the "general government unclassified" department in the City's general fund budget). The estimated future liability is based on history and injury type. The estimated liabilities at June 30, 2016 and June 30, 2017 totaled \$6,429,062 and \$7,821,987 (respectively) and were recorded as a liability in the government-wide financial statements. The City estimated a current liability at June 30, 2017 of \$273,769 (3.5% of the estimated June 30, 2017 liability) based on historical analysis.

*Continued*

**Note 19. Fund Deficits**

The City had deficit fund balances present at June 30, 2017 in the following funds:

**Capital Project Funds:**

Hannigan Feasibility and Construction	\$ 9,062,445
School ARP \$18.1M	4,206,680
Taylor at SeaLab	3,184,935
\$1M Building Improvement Fund	1,565,063
Elm Street Parking Garage	714,497
Parker School	445,015
Keith Middle School	344,239
Taxiway A Bond	216,063
Hazelwood Park	134,921
\$4.2M Bond Software Costs	120,632
\$4.2M Bond Hardware Costs	35,657
High School Solar Park	1,679
	<hr/>
<b>Total Capital Project Fund Deficits:</b>	<b>\$ 20,031,826</b>
	<hr/>
Deficits to be funded by future long-term debt issuances:	19,178,635
Deficits to be funded by future Federal and State grant funding:	853,191
	<hr/>
<b>Net Capital Project Fund Deficits at June 30, 2017:</b>	<b>\$ -</b>
	<hr/>

Additionally, the other special revenue, city grants, school grants and community development funds had total deficits of \$3,538, \$318,563, \$97,457 and \$79,464 (respectively). These fund deficits will also require a future administrative plan to fund the deficit and eliminate it.

**Note 20. Risk Financing**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in a premium-based health care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$100,000 per incident. The City is self insured for other general liability; however, Chapter 258 of the MGL limits the liability to a maximum of \$100,000 per claimant in all matters except actions relating to Federal civil rights, eminent domain and breach of contract. The City is also self-insured for unemployment and workers' compensation.

The City provides a variety of health benefits to employees. The partially self-insured plans paid through an established internal service fund based on total claims. Employees contribute 25% of the cost of healthcare with the remainder paid by the City. The City also provides health and life insurance benefits to certain retirees, as discussed in Note 10.

Liabilities for self-insured judgments and claims are recorded in the entity wide financial statements if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs that have matured in the general, wastewater, water and airport funds in the fund-basis statements.

The City has established a liability for health claims based on actual amounts paid two months subsequent to year-end (provided by the third-party administrator) and an estimate of future claims based on historical trends.

*Continued*

Changes in the health claims liability for the year ended June 30, 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Health Claims - beginning of year	\$ 3,152,737	\$ 3,824,940
Incurred Claims	53,432,440	49,133,569
Payments of Health Claims	<u>(53,710,177)</u>	<u>(49,805,772)</u>
Health Claims - end of year	<u>\$ 2,875,000</u>	<u>\$ 3,152,737</u>

The City has established a liability for judgments and claims on a case-by-case review of all known claims, estimates of losses incurred but not reported, incremental costs incurred only because of claims, historical trends of previous years, and attorneys' estimates of pending matters and lawsuits in which the City is involved.

There are numerous cases pending in courts throughout the Commonwealth, where the City of New Bedford is a defendant. There are two pending claims exceeding \$100,000, individually or in the aggregate, that are probable and estimable at June 30, 2017.

The first claim involves a dispute with AFSCME. In 2011, the City and AFSCME Council 93, AFL-CIO both appealed a decision of the Commonwealth Employee Relations Board (CERB) to the Massachusetts Appeals Court regarding furloughs imposed upon union members. In November 2016, the City learned that it lost its appeal and that it would owe union members a total of approximately \$1.8 million. The City accrued \$1.8 million in its government-wide financial statements as a result of its loss in the appellate court to the union. This claim was settled in July of 2017.

The City has also been informed of a claim by the United States Environmental Protection Agency (EPA) for reimbursement of remediation costs EPA says it incurred in the vicinity of the Parker Street Waste Site. The EPA states that its remediation costs were approximately \$18 million. The mayor and the EPA have negotiated a tentative settlement of \$1.6 million. This settlement must be finally approved by the New Bedford City Council, the EPA, and the United States Department of Justice. The City accrued \$1.6 million in its government-wide financial statements as a result of the negotiated tentative settlement amount. This claim was settled in September of 2017.

#### ***Note 21. Subsequent Events***

For the purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2017, and through January 28, 2018, the date on which the financial statements were available to be issued. The following represents these subsequent events:

On July 20, 2017, the City Council voted to transfer and appropriate to "salaries and wages" of various departments \$1,507,174 from the City's stabilization fund. Also on July 20, 2017 the City Council voted to transfer and appropriate \$208,821 from the Water stabilization fund to "salaries and wages" and voted to transfer and appropriate \$109,558 from the Wastewater Special Projects Fund to "salaries and wages". These appropriations fund the AFSCME Furlough award.

On September 11, 2017, the City disbursed \$1,600,000 to the US Environmental Protection Agency related to the settlement on the remediation costs the EPA alleges to have incurred on the Parker Street Waste Site.

On October 30, 2017, the City Council voted to transfer and appropriate \$800,000 from Ordinary Revenue and Municipal Receipts to Fire Department "salaries and wages" to fund the contract between the City of New Bedford and Local 841 International Association of Firefighters.

On October 30, 2017, the City Council also passed an order that would authorize the Mayor to enter into Phase 2 of the energy conservation measures and facility measures to various municipal buildings and facilities pursuant to the master energy management services agreement between the City and Siemens Industry (a lease purchase agreement), not to exceed \$3,684,000.

On November 11, 2017, the City Council voted to transfer and appropriate \$875,000 from Ordinary Revenue and Municipal Receipts to fund the contract between the City of New Bedford and Local 851 American Federation of State, County and Municipal Employees.

*Continued*

**Note 21. Subsequent Events (Continued)**

On November 21, 2017, the City Council approved a loan order to pay costs of the reconstruction of Runway 14-32 at New Bedford Airport.

On December 14, 2017, the City Council approved a bond order for \$2,000,000 to authorize the borrowing of funds to pay costs of the planning and design of and the land acquisition for a new south public safety center.

**Note 22. Future Implementation of GASB Pronouncements**

The GASB has issued the following statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2018. Management does not believe the implementation of this Statement will materially impact the financial statements.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management does not believe the implementation of this Statement will materially impact the financial statements.
- GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 85, *Omnibus 2017*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

These pronouncements will be implemented by their respective implementation dates.

**Required Supplementary Information:****General Fund – Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis  
Year Ended June 30, 2017**

	Original Budget							
	Encumbrances Carried Forward	Budget As Adopted	Total Budgeted	Actual	Encumbrances Carried Forward	Variance		
Revenues and other financing sources:								
Tax collections net of refunds:								
Real estate and personal property taxes	\$ -	\$ 112,975,987	\$ 112,865,702	\$ 114,804,327	\$ -	\$ 1,938,625		
Local Receipts:								
Motor vehicle excise	-	7,500,000	7,545,900	7,903,568	-	357,668		
Other excise collections	-	1,630,000	1,568,900	1,425,326	-	(143,574)		
Penalties and interest	-	2,046,699	3,161,900	2,679,328	-	(482,572)		
Payments in lieu of taxes	-	284,000	266,700	304,394	-	37,694		
Charges for services	-	749,878	693,781	789,937	-	96,156		
Departmental revenues	-	10,559,996	9,866,791	10,719,967	-	853,176		
Fines and forfeitures	-	202,000	212,252	98,528	-	(113,724)		
Licenses and permits	-	3,346,752	3,494,859	3,356,522	-	(138,337)		
Indirect charges	-	1,100,000	986,878	959,384	-	(27,494)		
Earnings on investments	-	100,000	323,500	307,490	-	(16,010)		
Miscellaneous recurring	-	-	6,300	2,985	-	(3,315)		
Miscellaneous non-recurring	-	800,000	100,100	(78,958)	-	(179,058)		
Special assessments & betterments	-	400	500	71	-	(429)		
Governmental revenue	-	166,039,759	165,655,971	164,999,917	-	(656,054)		
Other financing sources:								
Transfers from other funds	-	4,863,769	5,156,977	4,365,588	-	(791,389)		
Transfers from free cash	-	-	2,816,059	2,816,059	-	-		
Total revenues and other financing sources:	\$ -	\$ 312,199,240	\$ 314,723,070	\$ 315,454,433	\$ -	\$ 731,363		
Expenditures:								
General government	\$ 8,510	\$ 7,821,499	\$ 8,410,008	\$ 8,203,528	\$ 6,500	\$ 199,980		
General government unclassified:	-	9,277,404	9,637,404	9,670,903	-	(33,499)		
Public safety:								
Police	10,775	25,016,268	24,597,047	24,566,431	-	30,616		
Fire	2,902	16,379,136	17,092,943	17,101,105	-	(8,162)		
EMS	-	3,040,496	3,115,496	3,127,870	-	(12,374)		
Inspector of Buildings	-	882,351	867,351	865,659	-	1,692		
Traffic	-	483,029	477,029	462,917	-	14,112		
Public works and facilities:								
Sanitation operations	-	704,590	704,590	704,590	-	-		
Public infrastructure	3,920	4,368,680	4,793,661	4,573,712	31,815	188,134		
Public facilities	-	8,065,345	7,924,977	7,698,578	81	226,318		
Snow removal	-	450,000	520,368	520,368	-	-		
Education:								
School department	-	132,014,689	132,914,689	132,913,084	-	1,605		
Health & Human services	-	5,319,625	5,251,625	5,009,916	-	241,709		
Culture and recreation	-	3,151,056	3,140,056	3,042,775	9,002	88,279		
Zoo	-	1,519,855	1,464,855	1,470,771	-	(5,916)		
Debt service	-	11,450,200	11,400,200	11,415,719	-	(15,519)		
Health and Life Insurance	-	39,775,000	39,775,000	39,767,304	-	7,696		
Pension	-	26,724,377	26,724,377	26,724,377	-	-		
Intergovernmental expenditures	-	15,755,640	15,937,501	15,141,498	-	796,003		
Total expenditures	\$ 26,107	\$ 312,199,240	\$ 314,749,177	\$ 312,981,105	\$ 47,398	\$ 1,720,674		
Excess (deficiency) of revenues and other financing sources over expenditures:								
	\$ (26,107)	\$ -	\$ (26,107)	\$ 2,473,328	\$ (47,398)	\$ 2,452,037		

*See accompanying independent auditor's report*

Wastewater Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis  
Year Ended June 30, 2017

	Original Budget			Actual		
	Encumbrances Carried Forward	Budget As Adopted	Available for Current Year Expenditures		Encumbrances Carried Forward	Variance
Revenues and other:						
Charges for services	\$ -	\$ 21,054,190	\$ 21,059,402	\$ 21,036,773	\$ -	\$ (22,629)
Liens and penalties	-	200,000	200,000	499,316	-	299,316
Departmental and other	-	-	-	226,401	-	226,401
Special assessments	-	-	-	17,160	-	17,160
Earnings on investments	-	-	-	52,917	-	52,917
Operating transfers out - indirects	-	(1,591,581)	(1,591,581)	(1,591,581)	-	-
Total Revenues and other:	-	19,662,609	19,667,821	20,240,986	-	573,165
Expenditures:						
Salaries and Wages	-	1,606,096	1,606,096	1,378,754	7,866	219,476
Purchase of Services	5,968	9,197,300	9,208,480	9,150,862	-	57,618
Materials and Supplies	-	501,500	501,500	422,716	-	78,784
Capital Outlay	-	1,100,000	1,100,000	1,089,402	-	10,598
Debt Service	-	7,257,713	7,257,713	7,023,346	-	234,367
Total Expenditures	5,968	19,662,609	19,673,789	19,065,080	7,866	600,843
Excess (deficiency) of revenues over expenditures	\$ (5,968)	\$ -	\$ (5,968)	\$ 1,175,906	\$ (7,866)	\$ 1,174,008

See accompanying independent auditor's report



### Notes to the Required Supplementary Information - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures

The accompanying Combined Statement of Revenues, Expenditures or Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - for the General Fund and Wastewater Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the Generally Accepted Accounting Principles ("GAAP") basis are that:

- A) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- B) The use of fund balances available at the beginning of the year to fund current year expenditures is recorded as an other financing source;
- C) Expenditures/expenses are recorded when paid in cash (budgetary basis) as opposed to when liability is incurred (GAAP basis);
- D) Encumbrances are reported as expenditures/expenses (budgetary basis) as opposed to a reservation of fund balance (GAAP basis).

Therefore, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources and expenditures and other uses for the year ended June 30, 2017 are as follows:

	<b>Governmental Funds</b>	
	<b>General Fund</b>	<b>Special Revenue Wastewater</b>
Revenues and other financing sources:		
GAAP Basis	\$ 340,276,029	\$ 21,916,516
Adjustments:		
Change in real estate and personal property taxes 60 day accruals	172,562	-
MTRB on-behalf payments	(27,226,871)	-
Stabilization fund - income statement activity	(583,345)	-
Miscellaneous GAAP adjustments	-	-
Free cash utilized for budgetary basis	2,816,059	
Increases to deferred revenues		
GAAP basis only	-	(83,949)
Budgetary Basis	<u>\$ 315,454,434</u>	<u>\$ 21,832,567</u>
Expenditures and other financing uses:		
GAAP Basis	\$ 340,207,975	\$ 20,656,661
Adjustments:		
MTRB on-behalf payments	(27,226,871)	-
Miscellaneous GAAP adjustments	1	-
Budgetary Basis	<u>\$ 312,981,105</u>	<u>\$ 20,656,661</u>

*See accompanying independent auditor's report*

**Schedule of Funding Progress – Other Post-Employment Benefits****Schedule of Funding Progress - 4.0% \***

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b)-(a) Unfunded AAL (UAL)</b>	<b>(a) / (b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>[(b)-(a)]/(c) UAL as a Percentage of Covered Payroll</b>
7/1/2012	\$ -	\$ 563,121,325	\$ 563,121,325	0.00%	\$ 159,055,715	354.04%
7/1/2014	-	424,773,972	424,773,972	0.00%	151,958,742	279.53%
7/1/2016	807,068	486,302,553	485,495,485	0.17%	152,671,185	318.00%

\* Prior to the 2012 valuation, the discount rate was 3.5%

**Schedule of Employer Contributions – Other Post-Employment Benefits**

<b>Fiscal Year</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
June 30, 2017	\$ 32,437,141	53.07%
June 30, 2016	31,261,415	53.28%
June 30, 2015	27,915,680	58.90%

*See accompanying independent auditor's report*

**Schedule of Changes in the City's Net OPEB Liability and Related Ratios – Other Post-Employment Benefits**

	<u><b>2017</b></u>
<b>Total OPEB liability</b>	
Service cost	\$ 14,481,690
Interest on liability and service cost	17,592,103
Benefit payments, including refunds of employee contributions	<u>(16,602,496)</u>
<b>Net change in total OPEB liability</b>	15,471,297
Total OPEB liability - beginning	\$ 462,865,894
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 478,337,191</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 270,000
Net investment income	112,330
Administrative expense	<u>(2,561)</u>
<b>Net change in plan fiduciary net position</b>	379,769
Plan fiduciary net position - beginning	807,068
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,186,837</u></u>
<b>City's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 477,150,354</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.25%
<b>Covered-employee payroll</b>	\$ 158,014,676
<b>City's net OPEB liability as a percentage of covered employee payroll</b>	301.97%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.*

*See accompanying independent auditor's report*

**Schedule of City's Contributions – Other Post-Employment Benefits**

	<u><b>2017</b></u>
Actuarially determined contribution	\$ 32,025,721
Contributions in relation to the actuarially determined contribution	<u>\$ 270,000</u>
Contribution deficiency (excess)	<u><u>\$ 31,755,721</u></u>
Covered-employee payroll	\$ 158,014,676
Contributions as a percentage of covered-employee payroll	0.17%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.*

**Schedule of Investment Returns – Other Post-Employment Benefits**

	<u><b>6/30/2017</b></u>
Annual money-weighted rate of return, net of investment expense	9.25%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.*

*See accompanying independent auditor's report*

**Schedule of Changes in the System's Net Pension Liability and Related Ratios - Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>			
Service cost	\$ 9,987,385	\$ 10,680,565	\$ 10,369,481
Interest on liability and service cost	46,957,922	48,758,434	47,840,671
Differences between expected and actual experience	-	10,187,503	-
Changes in assumptions	-	(21,419,864)	-
Benefit payments, including refunds of employee contributions	(47,075,331)	(45,901,874)	(44,969,104)
Interest on benefit	-	(1,745,509)	(1,710,039)
<b>Net change in total pension liability</b>	9,869,976	559,255	11,531,009
Total pension liability - beginning	<u>\$ 619,019,767</u>	<u>618,460,512</u>	<u>606,929,503</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 628,889,743</u></u>	<u><u>\$ 619,019,767</u></u>	<u><u>\$ 618,460,512</u></u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 30,810,829	\$ 29,758,906	\$ 28,253,951
Contributions - employee	9,042,514	9,305,456	8,457,273
Other payments	969,196	1,025,323	1,057,391
Net investment income	23,322,337	(3,014,143)	16,227,627
Benefit payments, including refunds of employee contributions	(47,075,331)	(45,901,874)	(44,969,104)
Administrative expense	(617,024)	(562,794)	(547,593)
Adjust assets to market value	-	1,576,360	(1,992,203)
<b>Net change in plan fiduciary net position</b>	16,452,521	(7,812,766)	6,487,342
Plan fiduciary net position - beginning	<u>274,674,163</u>	<u>282,486,929</u>	<u>275,999,587</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 291,126,684</u></u>	<u><u>\$ 274,674,163</u></u>	<u><u>\$ 282,486,929</u></u>
<b>System's net pension liability - ending (a) - (b)</b>	<u><u>\$ 337,763,059</u></u>	<u><u>\$ 344,345,604</u></u>	<u><u>\$ 335,973,583</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	46.29%	44.37%	45.68%
<b>Covered-employee payroll</b>	\$ 92,695,007	\$ 89,560,393	\$ 84,425,116
<b>System's net pension liability as a percentage of covered employee payroll</b>	364.38%	384.48%	397.95%

\*\* - Per paragraph 138 of GASB Statement No. 68, the City is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

*See accompanying independent auditor's report*

**Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	86.737%	86.297%	86.48%
City's proportionate share of the net pension liability (asset)	\$ 292,965,416	\$ 299,409,245	\$ 288,816,402
City's covered employee payroll	\$ 80,400,833	77,287,856	73,420,569
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	364.38%	387.39%	393.37%
Plan fiduciary net position as a percentage of the total pension liability	46.29%	44.37%	46.00%

\*\* - Per paragraph 138 of GASB Statement No. 68, the City is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

**Schedule of the System's Contributions - Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 30,810,829	\$ 29,758,906	\$ 28,253,951
System contributions in relation to the actuarially determined contribution	\$ 30,810,829	29,821,401	28,253,951
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (62,495)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 92,695,007	\$ 89,560,393	\$ 84,425,116
Contributions as a percentage of covered-employee payroll	33.24%	33.30%	33.47%

**Notes to Schedule**

Valuation Date:  
January 1, 2016

Methods and assumptions used to determine contribution rates:  
Contribution rates are recommended by the System's independent actuary and are approved by PERAC in order to comply with the applicable funding statute (MGL Chapter 32 Section 22F)

\*\* - Per paragraph 138 of GASB Statement No. 68, the City is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

*See accompanying independent auditor's report*

**Schedule of Employer Contributions - Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's contractually required contribution	\$ 26,724,377	\$ 25,734,949	\$ 24,433,112
City's contributions in relation to the contractually required contribution	\$ 26,724,377	25,734,949	24,433,112
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 80,400,833	\$ 77,287,856	\$ 73,420,569
Contributions as a percentage of covered-employee payroll	33.24%	33.30%	33.28%

\*\* - Per paragraph 138 of GASB Statement No. 68, the City is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

*See accompanying independent auditor's report*

**Combining and Individual Fund Statements and Other Supplementary Information (Unaudited):**

The following section provides combining and individual fund statements with respect to various funds included in the basic financial statements. It also includes budgetary comparison schedules for the enterprise funds.

**General Fund**

The General Fund is the operating fund of the City. It is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.

**Combining Balance Sheet – General and Stabilization Funds**

	<b>General Fund</b>	<b>City &amp; School Stabilization Funds</b>	<b>Total General Fund</b>
<b>ASSETS</b>			
Cash and investments, unrestricted	\$ 26,616,924	\$ -	\$ 26,616,924
Cash, restricted	-	9,671,585	9,671,585
Receivables, net:			
Real estate and personal property taxes	4,130,890	-	4,130,890
Tax liens and foreclosures	21,213,470	-	21,213,470
Motor vehicle and boat excise	1,951,307	-	1,951,307
Departmental and other	6,491,528	-	6,491,528
Other receivables	426,504	-	426,504
Special assessments	6,924	-	6,924
Due from federal or state government	18,095	-	18,095
Due from other funds	1,639,555	-	1,639,555
Intraentity receivable	1,500,816	-	1,500,816
<b>Total assets</b>	<b>63,996,013</b>	<b>9,671,585</b>	<b>73,667,598</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 63,996,013</b>	<b>\$ 9,671,585</b>	<b>\$ 73,667,598</b>
<b>LIABILITIES</b>			
Warrants payable	\$ 1,598,585	\$ -	\$ 1,598,585
Accounts payable and accrued expenses	14,359,088	-	14,359,088
Due to other funds	3,294,970	-	3,294,970
Deposits held	452,845	-	452,845
Payroll withholdings	44,768	-	44,768
Other liabilities	351,694	-	351,694
<b>Total liabilities</b>	<b>20,101,950</b>	<b>-</b>	<b>20,101,950</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property and excise tax revenues	18,275,159	-	18,275,159
Deferred departmental and other receipts	7,312,404	-	7,312,404
<b>Total deferred inflows of resources</b>	<b>25,587,563</b>	<b>-</b>	<b>25,587,563</b>
<b>FUND BALANCE</b>			
Nonspendable	1,500,816	-	1,500,816
Committed	-	9,671,585	9,671,585
Assigned	143,081	-	143,081
Unassigned	16,662,603	-	16,662,603
<b>Total fund balance</b>	<b>18,306,500</b>	<b>9,671,585</b>	<b>27,978,085</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 63,996,013</b>	<b>\$ 9,671,585</b>	<b>\$ 73,667,598</b>

*See accompanying independent auditor's report*



## Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General and Stabilization Funds

	General Fund	City & School Stabilization Funds	Total General Fund
<b>REVENUES</b>			
Real estate and personal property taxes	\$ 111,158,506	\$ -	\$ 111,158,506
Motor vehicle and other excise	9,328,894	-	9,328,894
MSBA assistance	2,415,573	-	2,415,573
Tax liens and foreclosures	3,473,296	-	3,473,296
Penalties and interest on taxes	2,575,776	-	2,575,776
Licenses and permits	2,653,606	-	2,653,606
Fines and forfeitures	98,528	-	98,528
Investment income	307,490	83,346	390,836
Intergovernmental - operating grants	53,860,003	-	53,860,003
Intergovernmental - operating grant - Ch. 70	132,385,625	-	132,385,625
Charges for services	15,790,498	-	15,790,498
Other - indirects	959,384	-	959,384
Special assessments and betterments	71	-	71
Payments in lieu of taxes	304,394	-	304,394
Miscellaneous	15,441	-	15,441
Total revenues	335,327,085	83,346	335,410,431
<b>EXPENDITURES</b>			
Current:			
General government	7,440,154	-	7,440,154
Public safety	45,910,534	-	45,910,534
Education	160,139,955	-	160,139,955
Public works	14,140,751	-	14,140,751
Health and human services	4,129,869	-	4,129,869
Culture and recreation	4,513,546	-	4,513,546
Pension benefits	26,724,377	-	26,724,377
Health and other insurance	39,767,304	-	39,767,304
Miscellaneous	9,670,903	-	9,670,903
State and county charges	15,141,498	-	15,141,498
Debt service:			
Principal payments	8,040,000	-	8,040,000
Short-term note interest	558,602	-	558,602
Bond interest costs	2,817,117	-	2,817,117
Total expenditures	338,994,610	-	338,994,610
Excess (deficiency) of revenues over (under) expenditures	(3,667,525)	83,346	(3,584,179)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,365,588	500,000	4,865,588
Transfers out	(1,213,364)	-	(1,213,364)
Total other financing sources and uses	3,152,224	500,000	3,652,224
Change in fund balances	(515,301)	583,346	68,045
Fund balances - beginning of year	18,821,801	9,088,239	27,910,040
Fund balances - end of year	\$ 18,306,500	\$ 9,671,585	\$ 27,978,085

See accompanying independent auditor's report

### Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than debt service, trust funds or capital projects that are legally restricted or committed for specific purposes. The City's Wastewater Fund is classified as a special revenue fund. The fund consists of operations, special projects and debt service.

The special revenue funds also account for a number of federal and state grants administered by the City's individual departments.

#### Combining Wastewater Funds - Balance Sheet

	Operating	Special Projects	Debt Service	Total Wastewater
<b>ASSETS</b>				
Cash	\$ 6,821,285	\$ 564,801	\$ 2,828,629	\$ 10,214,715
User charges receivable	2,283,855	-	-	2,283,855
Utility liens receivable	54,800	-	-	54,800
Special assessments receivable	103,638	-	-	103,638
Department receivables	111,067	-	-	111,067
Other receivables	40,000	2,237	-	42,237
Inventory	26,373	-	-	26,373
Prepaid expenses	466,571	-	-	466,571
Due from other funds	19,507	1,496	-	21,003
Total assets	9,927,096	568,534	2,828,629	13,324,259
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 9,927,096	\$ 568,534	\$ 2,828,629	\$ 13,324,259
<b>LIABILITIES:</b>				
Warrants payable	552,462	-	-	552,462
Accounts payable and accrued expenses	365,757	-	-	365,757
Deposits held	33,292	-	466,570	499,862
Other liabilities	26,339	-	-	26,339
Due to other funds	1,485,717	-	-	1,485,717
Total liabilities	2,463,567	-	466,570	2,930,137
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred user fees, fines and charges for services	2,442,293	-	-	2,442,293
Total deferred inflows of resources	2,442,293	-	-	2,442,293
<b>FUND BALANCE</b>				
Nonspendable	26,373	-	-	26,373
Restricted	1,763,827	-	2,362,059	4,125,886
Committed	3,222,413	568,534	-	3,790,947
Assigned	8,623	-	-	8,623
Unassigned	-	-	-	-
Total fund balance	5,021,236	568,534	2,362,059	7,951,829
Total liabilities, deferred inflows of resources and fund balance	\$ 9,927,096	\$ 568,534	\$ 2,828,629	\$ 13,324,259

*See accompanying independent auditor's report*

## Combining Wastewater Funds - Statement of Revenues, Expenditures and Changes in Fund Balances

	<b>Operating</b>	<b>Special Projects</b>	<b>Debt Service</b>	<b>Total Wastewater</b>
<b>Revenues:</b>				
Utility usage charges	\$ 21,120,721	\$ -	\$ -	\$ 21,120,721
Liens and penalties	499,316	-	-	499,316
Departmental	3,680	-	-	3,680
Intergovernmental revenues	97,961	-	5,116,681	5,214,642
Special assessments	17,160	-	-	17,160
Investment income	52,917	285	2,422	55,624
Other	124,761	-	-	124,761
Total revenues	<u>21,916,516</u>	<u>285</u>	<u>5,119,103</u>	<u>27,035,904</u>
<b>Expenditures:</b>				
Current:				
Salaries	1,378,754	-	-	1,378,754
Charges and services	9,150,862	-	-	9,150,862
Supplies and materials	422,716	-	-	422,716
Capital outlay:				
Capital outlay	1,089,402	(1,342)	-	1,088,060
Debt service:				
Debt admin fees	191,717	-	-	191,717
Principal paid on debt	1,112,000	-	6,917,765	8,029,765
Interest paid on debt	227,342	-	3,678,227	3,905,569
Total expenditures	<u>13,572,793</u>	<u>(1,342)</u>	<u>10,595,992</u>	<u>24,167,443</u>
Excess (deficiency) of revenues over expenditures	8,343,723	1,627	(5,476,889)	2,868,461
Transfers in	-	-	5,492,287	5,492,287
Transfers (out)	<u>(7,083,867)</u>	<u>-</u>	<u>-</u>	<u>(7,083,867)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,259,856	1,627	15,398	1,276,881
Fund balance - beginning of year	<u>3,761,380</u>	<u>566,907</u>	<u>2,346,661</u>	<u>6,674,948</u>
Fund balance - end of year	<u>\$ 5,021,236</u>	<u>\$ 568,534</u>	<u>\$ 2,362,059</u>	<u>\$ 7,951,829</u>

*See accompanying independent auditor's report*

### **Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from federal and state grants.

### **Permanent Trust Funds**

Permanent Trust Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

## Non-Major Governmental Funds - Combining Balance Sheet

	Special Revenue	Capital Projects	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments, unrestricted	\$ 20,611,052	\$ 15,179,414	\$ 3,431,878	\$ 39,222,344
Cash, restricted	-	-	5,127,411	5,127,411
Receivables, net:				
Federal & state grants receivable	5,938,669	11,652,758	-	17,591,427
Loans receivable	20,800,686	-	-	20,800,686
Other receivables	336,448	1,999,210	-	2,335,658
Due from other funds	138,432	2,872,483	-	3,010,915
Land inventory	246,918	-	-	246,918
Total assets	48,072,205	31,703,865	8,559,289	88,335,359
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 48,072,205	\$ 31,703,865	\$ 8,559,289	\$ 88,335,359
<b>LIABILITIES</b>				
Warrants payable	\$ 1,385,258	\$ 3,190,247	\$ 9,163	\$ 4,584,668
Accounts payable and accrued expenses	1,366,458	4,444,080	-	5,810,538
Retainage payable	-	1,772,562	-	1,772,562
Bonds and notes payable	-	35,696,514	-	35,696,514
Due to other funds	19,476	-	52	19,528
Deposits held	-	2,769,617	-	2,769,617
Due to other governments	209	-	-	209
Other liabilities	20	-	-	20
Total liabilities	2,771,421	47,873,020	9,215	50,653,656
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred departmental and other receipts	154,176	-	-	154,176
Unearned grant income	1,400,776	-	-	1,400,776
Unearned loan income	20,800,686	-	-	20,800,686
Total deferred inflows of resources	22,355,638	-	-	22,355,638
<b>FUND BALANCE</b>				
Nonspendable	-	-	5,127,411	5,127,411
Restricted	22,251,398	3,862,671	3,422,663	29,536,732
Committed	1,186,230	-	-	1,186,230
Unassigned	(492,482)	(20,031,826)	-	(20,524,308)
Total fund balance	22,945,146	(16,169,155)	8,550,074	15,326,065
Total liabilities, deferred inflows of resources and fund balance	\$ 48,072,205	\$ 31,703,865	\$ 8,559,289	\$ 88,335,359

See accompanying independent auditor's report

## Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance

	Special Revenue	Capital Projects	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>REVENUE</b>				
MSBA assistance	\$ -	\$ 28,775,728	\$ -	\$ 28,775,728
Investment income	6,217	-	414,499	420,716
Intergovernmental - operating grants	41,497,454	-	-	41,497,454
Intergovernmental - capital grants	-	6,359,224	-	6,359,224
Charges for services	1,697,175	-	-	1,697,175
Miscellaneous	6,357,718	-	273,311	6,631,029
Total revenues	49,558,564	35,134,952	687,810	85,381,326
<b>EXPENDITURES</b>				
Current:				
General government	1,310,078	-	-	1,310,078
Public safety	3,892,817	-	-	3,892,817
Education	27,561,729	-	3,036	27,564,765
Public works	3,211,285	-	143,600	3,354,885
Community and economic development	6,227,151	-	-	6,227,151
Health and human services	2,558,630	-	-	2,558,630
Culture and recreation	1,487,446	-	91,494	1,578,940
Capital outlay:				
General government	-	2,898,627	-	2,898,627
Education	-	40,560,983	-	40,560,983
Public works	-	9,136,170	-	9,136,170
Municipal airport	-	1,323,943	-	1,323,943
Culture and recreation	-	711,058	-	711,058
Debt service:				
Principal payments	50,000	-	-	50,000
Interest and fiscal charges	1,960	-	-	1,960
Total expenditures	46,301,096	54,630,781	238,130	101,170,007
Excess (deficiency) of revenues over (under) expenditures	3,257,468	(19,495,829)	449,680	(15,788,681)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	3,960,954	-	3,960,954
Bond premiums	-	357,323	-	357,323
OFS - issuance of refunding bonds	-	14,430,000	-	14,430,000
Special item - loan forgiveness	-	716,768	-	716,768
Special item - insurance proceeds	66,167	-	-	66,167
Transfers in	1,495,246	2,019,656	-	3,514,902
Transfers out	(284,959)	-	-	(284,959)
Total other financing sources and uses	1,276,454	21,484,701	-	22,761,155
Change in fund balance	4,533,922	1,988,872	449,680	6,972,474
Fund balance - beginning of year	18,411,224	(18,158,027)	8,100,394	8,353,591
Fund balance - end of year	\$ 22,945,146	\$ (16,169,155)	\$ 8,550,074	\$ 15,326,065

See accompanying independent auditor's report

## Enterprise Funds

The enterprise funds are used to account for the operations for which a fee is charged to external users for goods and services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.

### Non-Major Enterprise Funds – Balance Sheet

	Non-Major Airport	Non-Major Downtown Parking	Total Non-Major Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash	\$ 73,694	\$ 182,477	\$ 256,171
Cash - restricted (stabilization)	176,326	-	176,326
Other receivables, net	20,311	3,567	23,878
Due from other funds	-	293	293
Total current assets	270,331	186,337	456,668
Non-current assets:			
Capital assets:			
Land	525,293	-	525,293
Infrastructure in progress	105,683	50,000	155,683
Infrastructure, net	29,414,685	-	29,414,685
Land improvements, net	339,615	-	339,615
Building and improvements, net	1,339,208	-	1,339,208
Machinery and equipment, net	7,500	143,239	150,739
Automobiles, net	73,764	-	73,764
Total capital assets	31,805,748	193,239	31,998,987
Total non-current assets	31,805,748	193,239	31,998,987
Total assets	32,076,079	379,576	32,455,655
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources (pension)	81,744	122,616	204,360
Total deferred outflows of resources	81,744	122,616	204,360
Total assets and deferred outflows of resources	\$ 32,157,823	\$ 502,192	\$ 32,660,015

*See accompanying independent auditor's report*

## Non-Major Enterprise Funds – Balance Sheet (Continued)

	<b>Non-Major</b>	<b>Non-Major</b>	<b>Total</b>
	<b>Airport</b>	<b>Downtown Parking</b>	<b>Non-Major Enterprise Funds</b>
<b>LIABILITIES</b>			
Current liabilities:			
Warrants payable	\$ 5,786	\$ 11,967	\$ 17,753
Accounts payable and accrued expenses	13,739	13,952	27,691
Bonds payable	40,000	-	40,000
Capital leases	-	-	-
Compensated absences	13,603	-	13,603
Due to other funds	-	141	141
Total current liabilities	73,128	26,060	99,188
Non-current liabilities:			
Bonds payable	935,000	-	935,000
Compensated absences	25,264	48,213	73,477
Net OPEB obligation (NOO)	225,232	37,593	262,825
Net pension liability (NPL)	1,171,862	1,757,792	2,929,654
Total non-current liabilities	2,357,358	1,843,598	4,200,956
Total liabilities	2,430,486	1,869,658	4,300,144
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources (pension)	49,712	74,567	124,279
Total deferred inflows of resources	49,712	74,567	124,279
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	30,830,748	193,239	31,023,987
Restricted - airport stabilization fund	176,326	-	176,326
Unrestricted - airport operating fund	(1,329,449)	-	(1,329,449)
Unrestricted - downtown parking operating fund	-	(1,635,272)	(1,635,272)
Total net position	29,677,625	(1,442,033)	28,235,592
Total liabilities, deferred inflows of resources and net position	\$ 32,157,823	\$ 502,192	\$ 32,660,015

See accompanying independent auditor's report



## Non-Major Enterprise Funds – Statement of Revenues, Expenses and Changes in Net Position

	Non-Major	Non-Major	Total
	Airport	Downtown Parking	Non-Major Enterprise Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 842,110	\$ 859,712	\$ 1,701,822
Miscellaneous	-	6,819	6,819
Total operating revenues	842,110	866,531	1,708,641
<b>OPERATING EXPENSES</b>			
Salaries and benefits	297,411	310,274	607,685
Services and supplies	339,170	141,951	481,121
Capital outlay	-	-	-
Depreciation expense	1,849,243	95,496	1,944,739
Total operating expenses	2,485,824	547,721	3,033,545
Operating income (loss)	(1,643,714)	318,810	(1,324,904)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	159	-	159
Debt service - interest payments	(26,113)	(63,303)	(89,416)
Total nonoperating revenue (expenses)	(25,954)	(63,303)	(89,257)
Income (loss) before transfers	(1,669,668)	255,507	(1,414,161)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in - operating	176,167	-	176,167
Transfers out - operating	(350,532)	(224,754)	(575,286)
Transfers in - capital	1,250,715	-	1,250,715
Total transfers	1,076,350	(224,754)	851,596
Change in net position	(593,318)	30,753	(562,565)
Total net position - beginning of year	30,270,943	(1,472,786)	28,798,157
Total net position - end of year	\$ 29,677,625	\$ (1,442,033)	\$ 28,235,592

*See accompanying independent auditor's report*

## Budgetary Comparison Schedule - Water Enterprise Fund

	Original Budget		Additional Appropriations and Transfers	Available for Current Year Expenditures	Actual	Encumbrances Carried Forward	Variance
	Encumbrances Carried Forward	Budget As Adopted					
Revenues:							
Charges for services	\$ -	\$ 11,795,863	\$ -	\$ 11,795,863	\$ 12,969,709	\$ -	\$ 1,173,846
Utility liens and penalties	-	85,000	-	85,000	213,970	-	128,970
Intergovernmental revenues	-	92,500	-	92,500	-	-	(92,500)
Other	-	1,548	-	1,548	60,629	-	59,081
Total Revenues	-	11,974,911	-	11,974,911	13,244,308	-	1,269,397
Expenditures:							
Salaries and wages	-	3,735,725	-	3,735,725	3,280,577	18,268	436,880
Purchase of services	5,967	1,875,100	-	1,881,067	1,862,468	9,940	8,659
Materials and supplies	-	1,183,400	-	1,183,400	1,079,299	-	104,101
Capital outlay	-	207,000	790	207,790	202,407	-	5,383
Debt service	-	2,355,982	-	2,355,982	2,365,598	-	(9,616)
Total Expenditures	5,967	9,357,207	790	9,363,964	8,790,349	28,208	545,407
Excess (deficiency) of revenues over expenditures	(5,967)	2,617,704	(790)	2,610,947	4,453,959	(28,208)	1,814,804
Other financing sources and (uses):							
From Free Cash	-	-	2,008,667	2,008,667	-	-	(2,008,667)
From Stabilization	-	-	2,000,000	2,000,000	2,000,000	-	-
Operating Transfers Out	-	(2,617,704)	(4,007,877)	(6,625,581)	(6,170,135)	-	455,446
Total other financing sources and (uses)	-	(2,617,704)	790	(2,616,914)	(4,170,135)	-	(1,553,221)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (5,967)	\$ -	\$ -	\$ (5,967)	\$ 283,824	\$ (28,208)	\$ 261,583
Budgetary fund balance - beginning fund balance					2,933,422		
Budgetary fund balance - ending fund balance					<u>\$ 3,217,246</u>		

## Budgetary Comparison Schedule - Airport Enterprise Fund

	Original Budget		Additional Appropriations and Transfers	Available for Current Year Expenditures	Actual	Encumbrances Carried Forward	Variance
	Encumbrances Carried Forward	Budget As Adopted					
Revenues:							
Charges for services	\$ -	\$ 792,037	\$ -	\$ 792,037	\$ 830,226	\$ -	\$ 38,189
Total Revenues	-	792,037	-	792,037	830,226	-	38,189
Expenditures:							
Salaries and wages	-	356,797	(75,000)	281,797	282,323	-	(526)
Purchase of services	-	147,135	100,000	247,135	247,407	-	(272)
Materials and supplies	-	28,919	-	28,919	24,744	-	4,175
Capital outlay	-	-	256,000	256,000	254,666	-	1,334
Debt service	-	53,812	-	53,812	68,112	-	(14,300)
Total Expenditures	-	586,663	281,000	867,663	877,252	-	(9,589)
Excess (deficiency) of revenues over expenditures	-	205,374	(281,000)	(75,626)	(47,026)	-	28,600
Other financing sources and (uses):							
Operating transfers out	-	(205,374)	(151,167)	(356,541)	(350,532)	-	6,009
Free Cash	-	-	432,167	432,167	-	-	432,167
Total other financing sources and (uses)	-	(205,374)	281,000	75,626	(350,532)	-	438,176
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -	\$ (397,558)	\$ -	\$ 466,776
Budgetary Fund Balance - beginning of year					509,130		
Budgetary Fund Balance - end of year					<u>\$ 111,572</u>		

See accompanying independent auditor's report

## Budgetary Comparison Schedule - Downtown Parking Enterprise Fund

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Available for Current Year Expenditures</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
Revenues:							
Charges for services	\$ -	\$ 1,002,900	\$ -	\$ 1,002,900	\$ 859,712	\$ -	\$ (143,188)
Other	-	19,000	-	19,000	6,819	-	(12,181)
Total Revenues	-	1,021,900	-	1,021,900	866,531	-	(155,369)
Expenditures:							
Salaries and Wages	-	308,548	-	308,548	276,837	-	31,711
Purchase of Services	-	132,702	-	132,702	119,288	-	13,414
Materials and Supplies	-	29,500	-	29,500	22,663	-	6,837
Capital Outlay	-	202,000	-	202,000	201,721	-	279
Debt Service	-	60,000	-	60,000	57,776	-	2,224
Total Expenditures	-	732,750	-	732,750	678,285	-	54,465
Excess (deficiency) of revenues over expenditures	-	289,150	-	289,150	188,246	-	(100,904)
Other financing sources and (uses):							
Operating Transfers Out	-	(289,150)	-	(289,150)	(224,754)	-	64,396
Total other financing sources and (uses)	-	(289,150)	-	(289,150)	(224,754)	-	64,396
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -	\$ (36,508)	\$ -	\$ (36,508)
Budgetary Fund Balance - beginning					186,465		
Budgetary Fund Balance - ending					<u>\$ 149,957</u>		

## Notes to the Supplementary Information - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures

The accompanying Combined Statement of Revenues, Expenditures or Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - for the Water, Airport and Downtown Parking Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the Generally Accepted Accounting Principles ("GAAP") basis are that:

- A) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis), except for real estate and personal property taxes which are recorded when committed;
- B) Expenditures/expenses are recorded when paid in cash (budgetary basis) as opposed to when liability is incurred (GAAP basis);
- C) Encumbrances are reported as expenditures/expenses (budgetary basis) as opposed to a reservation of fund balance (GAAP basis).

Therefore, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources and expenditures and other uses for the year ended June 30, 2017 are as follows:

*See accompanying independent auditor's report*

## Notes to the Supplementary Information – Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures (Continued)

	<b>Proprietary Funds</b>		
	<b>Non-Major</b>		
	<b>Water</b>	<b>Airport</b>	<b>Downtown Parking</b>
Revenues and other financing sources:			
GAAP Basis	\$ 15,456,938	\$ 2,269,151	\$ 866,531
Adjustments:			
Change in deferred revenue	817,440	(11,884)	-
MWPAT subsidy payments (GAAP only)	(138,790)	-	-
Stabilization fund - income statement activity	(999,358)	(176,326)	-
Miscellaneous GAAP adjustments	84	-	-
Change in the allowance for bad debts	72,471	-	-
Change in long-term receivable (MWPAT)			
GAAP basis only	35,523	-	-
Transfer of governmental fund expenditures to enterprise capital assets - GAAP basis	-	(1,250,715)	-
Budgetary Basis	<u>\$ 15,244,308</u>	<u>\$ 830,226</u>	<u>\$ 866,531</u>
Expenditures and other financing uses:			
GAAP Basis	\$ 18,622,910	\$ 2,862,469	\$ 835,778
Adjustments:			
MWPAT subsidy payments (GAAP only)	(138,790)	-	-
Stabilization fund - income statement activity	(2,000,000)	-	-
Principal paid on long-term debt	1,660,921	42,000	-
Principal paid on capital leases	-	-	201,721
Additions to capital assets	724,004	187,646	-
Unbudgeted long-term debt acquired (GAAP only)	(1,127,059)	-	-
Depreciation expense	(2,624,800)	(1,849,243)	(95,496)
Change in accrued interest	87,653	-	-
Change in net pension liability (GAAP only)	27,703	2,770	4,156
Change in net OPEB liability (GAAP only)	(272,058)	(17,858)	(37,594)
Budgetary Basis	<u>\$ 14,960,484</u>	<u>\$ 1,227,784</u>	<u>\$ 908,565</u>

See accompanying independent auditor's report

**Fiduciary Funds**

The Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and they are reported using accounting principles similar to proprietary funds.

**NEW BEDFORD CONTRIBUTORY RETIREMENT SYSTEM**

The New Bedford Contributory Retirement System is a defined benefit contributory retirement plan covering the employees of the City of New Bedford, the New Bedford Housing Authority, the Greater New Bedford Regional Vocational Technical High School, the Greater New Bedford Regional Refuse Management District and the Southeastern Regional Transit Authority. The System is subject to benefit provisions and financing requirement set forth primarily in Chapter 32 of the Massachusetts General Laws.

**OPEB TRUST FUND**

The City owns units (or shares) in the State Retiree Benefits Trust Fund reported as a fiduciary fund in the City's basic financial statements. These units (or shares) are reported at net asset value (NAV) at fiscal year-end. The investments are irrevocable and invested for the sole purpose to provide funding for the City's post-employment benefits.

**PRIVATE PURPOSE TRUST FUND**

Private purpose trust funds are used to report any trust arrangement not otherwise classified as pension or benefit trusts, or an investment trust fund. "under which principal and income benefit individuals, private organizations, or other governments."

**AGENCY FUNDS**

These funds are used to account for assets held in a purely custodial capacity.

## Statement of Changes in Assets and Liabilities – Agency Funds

	<b>Balance (Deficit) at July 1, 2016</b>		<b>Interest Earned</b>	<b>Deletions</b>	<b>Balance (Deficit) at June 30, 2017</b>	
School TSA W-H - Local	\$ 18,825	\$ 1,831,137	\$ -	\$ (1,831,137)	\$ 18,825	
Auditors Agency	4,012	-	(7)	-	4,005	
Retirement Salaries	(29,672)	290,632	-	(262,746)	(1,786)	
Reserve for Hunting-Fishg	2	-	-	-	2	
Suspense Fund UnidD Rcpts	82	-	-	-	82	
Retired Police Id Agcy Fd	70	-	-	-	70	
Engineering Deposits Held	338,276	49,000	-	(25,568)	361,708	
Urban Tax Services	21,712	403,285	-	(394,821)	30,176	
Colby Village LLC- Escrow	41	-	-	-	41	
Land Taking-Solicitors	2	-	-	-	2	
White Meadows Perform Bond	5,618	-	32	-	5,650	
Student Activity	220,874	378,920	1,446	(307,808)	293,432	
Eminent Domain Checks	52,827	-	292	-	53,119	
Heritage State Park	109	-	-	-	109	
Employee Health W-H	5,013,609	14,095,411	6,371	(13,882,949)	5,232,442	
Savings Bond	4,759	-	-	-	4,759	
CD Redevelopment Agency	547	-	3	-	550	
Bismark Meadows Perf Bond	14,255	-	-	-	14,255	
Registry of Deeds-Webster Agcy	10,862	65,000	-	(72,226)	3,636	
Utility Bills-Webster Agcy Fnd	(5,536)	1,188,991	-	(1,189,009)	(5,554)	
Whaler's Woods Surety Fund	220,000	-	564	(212,291)	8,273	
City Agency Fund	622	-	-	-	622	
Cardinal Place Surety Fund	111,295	-	615	-	111,910	
Whalers Place Surety Fund	41,100	-	200	-	41,300	
Treas Credit Advice Clearg	(12,513)	-	-	-	(12,513)	
School Revolving	148,151	155,770	1,254	(102,533)	202,642	
Deposits Held-Curbing	16,235	7,485	-	(5,852)	17,868	
	<u>\$ 6,196,164</u>	<u>\$ 18,465,631</u>	<u>\$ 10,770</u>	<u>\$ (18,286,940)</u>	<u>\$ 6,385,625</u>	

*See accompanying independent auditor's report*

### Non-Major Discretely Presented Component Units

Discretely presented component units are legally separate from the City but are included because the City is financially accountable for the organizations. The following non-major component units of the City are presented for additional analysis.

#### Combining Statements of Net Position

	Greater New Bedford Workforce Investment Board	New Bedford Redevelopment Authority	Total Non Major Component Units
<b>ASSETS</b>			
Current assets			
Unrestricted cash and investments	\$ 17,132	\$ 18,652	\$ 35,784
Accounts receivable, net of allowance	-	22,125	22,125
Due from other governments	471,608	-	471,608
Inventories and prepaid expenses	2,076	761	2,837
Total current assets	490,816	41,538	532,354
Capital assets			
Land (and investments in property)	-	862,869	862,869
Total capital assets	-	862,869	862,869
Total assets	490,816	904,407	1,395,223
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 490,816	\$ 904,407	\$ 1,395,223
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 181,064	\$ 104,650	\$ 285,714
Intra-entity payable	-	650,930	650,930
Deposits held	-	15,000	15,000
Compensated absences	19,745	-	19,745
Total current liabilities	200,809	770,580	971,389
Non-current liabilities			
None	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	200,809	770,580	971,389
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Income not yet earned	53,603	-	53,603
Total deferred inflows of resources	53,603	-	53,603
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	-	862,869	862,869
Restricted	-	-	-
Unrestricted	236,404	(729,042)	(492,638)
Total net position	236,404	133,827	370,231
Total liabilities, deferred inflows of resources and net position	\$ 490,816	\$ 904,407	\$ 1,395,223

*See accompanying independent auditor's report*

## Combining Statements of Activities

	<b>Greater New Bedford Workforce Investment Board</b>	<b>New Bedford Redevelopment Authority</b>	<b>Total Non Major Component Units</b>
<b>Program Revenues:</b>			
Charges for services	\$ -	\$ 9,000	\$ 9,000
Capital grants and contributions	-	-	-
Operating grants and contributions	3,642,415	-	3,642,415
Total program revenues	3,642,415	9,000	3,651,415
<b>Expenses:</b>	3,660,887	66,712	3,727,599
Net (Expense) Revenue and Changes in Net Position	(18,472)	(57,712)	(76,184)
<b>General Revenues:</b>			
Investment income	605	10	615
Total general revenues	605	10	615
<b>Transfers/Special Items:</b>			
None	-	-	-
Total transfers/special items:	-	-	-
Changes in net position	(17,867)	(57,702)	(75,569)
Net position - beginning of year	254,271	191,529	445,800
Net position - end of year	\$ 236,404	\$ 133,827	\$ 370,231

*See accompanying independent auditor's report*



## STATISTICAL SECTION (Unaudited)

This part of the City of New Bedford's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the governments overall financial health.

*Sources:* Unless otherwise noted, the information in the following schedules within the statistical section is derived from the annual and/or the comprehensive annual financial reports for the relevant year.

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*See accompanying independent auditor's report*

## Financial Trends

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time (see accompanying Management's Discussion and Analysis, Statement of Net Position, and Statement of Activities):*

### General Government Expenditures by Function (GAAP Basis\*) – Last Ten Fiscal Years

Function	Fiscal Year:				
	2017	2016	2015	2014	2013
General Government	\$ 7,440,154	\$ 7,166,581	\$ 7,166,773	\$ 6,813,441	\$ 6,509,251
% of Total	2.19%	2.29%	2.39%	2.22%	2.17%
% Change	3.82%	0.00%	5.19%	4.67%	6.30%
Public Safety	45,910,534	43,932,773	41,900,942	39,908,731	37,827,386
% of Total	13.54%	14.01%	13.96%	13.01%	12.61%
% Change	4.50%	4.85%	4.99%	5.50%	5.73%
Education	160,139,955	143,733,307	134,364,453	147,876,203	146,979,124
% of Total	47.24%	45.84%	44.75%	48.21%	48.99%
% Change	11.41%	6.97%	-9.14%	0.61%	5.97%
Public Works	14,140,751	13,493,814	15,338,626	14,461,623	13,042,250
% of Total	4.17%	4.30%	5.11%	4.71%	4.35%
% Change	4.79%	-12.03%	6.06%	10.88%	-1.02%
Health & Human Services	4,129,869	4,215,198	4,325,026	4,230,272	5,163,611
% of Total	1.22%	1.34%	1.44%	1.38%	1.72%
% Change	-2.02%	-2.54%	2.24%	-18.08%	19.85%
Culture & Recreation	4,513,546	4,134,050	4,160,382	4,196,196	3,928,783
% of Total	1.33%	1.32%	1.39%	1.37%	1.31%
% Change	9.18%	-0.63%	-0.85%	6.81%	-7.12%
Pension Benefits	26,724,377	25,734,949	23,204,752	23,692,690	22,629,695
% of Total	7.88%	8.21%	7.73%	7.72%	7.54%
% Change	3.84%	10.90%	-2.06%	4.70%	1.72%
Health & Other Insurance	39,767,304	37,842,585	38,008,103	36,800,963	36,322,214
% of Total	11.73%	12.07%	12.66%	12.00%	12.11%
% Change	5.09%	-0.44%	3.28%	1.32%	2.48%
Miscellaneous	9,670,903	8,972,342	9,599,109	8,822,341	8,572,875
% of Total	2.85%	2.86%	3.20%	2.88%	2.86%
% Change	7.79%	-6.53%	8.80%	2.91%	-4.19%
State & County Charges	15,141,498	13,624,678	12,149,703	10,252,470	9,581,904
% of Total	4.47%	4.34%	4.05%	3.34%	3.19%
% Change	11.13%	12.14%	18.51%	7.00%	11.24%
Debt Service	11,415,719	10,723,661	10,031,498	9,693,294	9,456,289
% of Total	3.37%	3.42%	3.34%	3.16%	3.15%
% Change	6.45%	6.90%	3.49%	2.51%	10.55%
Total Expenditures	\$ 338,994,610	\$ 313,573,938	\$ 300,249,367	\$ 306,748,224	\$ 300,013,382
% of Total	100.00%	100.00%	100.00%	100.00%	100.00%
% Change	8.11%	4.44%	-2.12%	2.24%	4.85%

\*General fund only

Fiscal Year:										
2012		2011		2010		2009		2008		Function
\$	6,123,547	\$	5,412,605	\$	8,735,973	\$	6,555,038	\$	6,664,045	General Government
	2.14%		1.92%		3.07%		2.35%		2.37%	% of Total
	13.13%		-38.04%		33.27%		-1.64%		5.90%	% Change
	35,776,919		37,361,457		37,845,282		41,565,424		42,830,660	Public Safety
	12.50%		13.25%		13.30%		14.89%		15.24%	% of Total
	-4.24%		-1.28%		-8.95%		-2.95%		4.87%	% Change
	138,705,071		134,589,936		137,847,243		131,139,140		136,398,296	Education
	48.48%		47.71%		48.46%		46.97%		48.52%	% of Total
	3.06%		-2.36%		5.12%		-3.86%		3.07%	% Change
	13,177,260		12,039,271		14,828,235		16,718,858		18,374,088	Public Works
	4.61%		4.27%		5.21%		5.99%		6.54%	% of Total
	9.45%		-18.81%		-11.31%		-9.01%		7.14%	% Change
	4,308,234		4,274,537		4,085,111		3,943,484		5,299,804	Health & Human Services
	1.51%		1.52%		1.44%		1.41%		1.89%	% of Total
	0.79%		4.64%		3.59%		-25.59%		94.02%	% Change
	4,229,805		3,875,883		3,862,809		4,532,348		4,279,795	Culture & Recreation
	1.48%		1.37%		1.36%		1.62%		1.52%	% of Total
	9.13%		0.34%		-14.77%		5.90%		9.85%	% Change
	22,246,981		22,079,203		22,224,935		20,112,623		19,316,008	Pension Benefits
	7.78%		7.83%		7.81%		7.20%		6.87%	% of Total
	0.76%		-0.66%		10.50%		4.12%		7.30%	% Change
	35,442,224		37,578,611		38,995,217		38,243,298		31,753,513	Health & Other Insurance
	12.39%		13.32%		13.71%		13.70%		11.30%	% of Total
	-5.69%		-3.63%		1.97%		20.44%		-4.95%	% Change
	8,947,755		9,056,400		-		204,191		199,310	Miscellaneous
	3.13%		3.21%		0.00%		0.07%		0.07%	% of Total
	-1.20%		100.00%		-100.00%		2.45%		1215.92%	% Change
	8,613,392		7,046,706		6,687,713		6,336,508		5,790,318	State & County Charges
	3.01%		2.50%		2.35%		2.27%		2.06%	% of Total
	22.23%		5.37%		5.54%		9.43%		257.84%	% Change
	8,554,134		8,756,273		9,358,695		9,865,037		10,208,222	Debt Service
	2.99%		3.10%		3.29%		3.53%		3.63%	% of Total
	-2.31%		-6.44%		-5.13%		-3.36%		5.23%	% Change
\$	286,125,322	\$	282,070,882	\$	284,471,213	\$	279,215,949	\$	281,114,059	Total Expenditures
	100.00%		100.00%		100.00%		100.00%		100.00%	% of Total
	1.44%		-0.84%		1.88%		-0.68%		5.69%	% Change

\*General fund only

## Financial Trends

## General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years

Source	Fiscal Year:				
	2017	2016	2015	2014	2013
Real Estate & Personal Property	\$ 111,158,506	\$ 106,305,255	\$ 97,468,071	\$ 92,959,921	\$ 91,935,611
% of Total	33.14%	33.82%	33.21%	30.62%	30.94%
% Change	4.57%	9.07%	4.85%	1.11%	0.47%
Motor Vehicle & Other Excises	9,328,894	8,651,851	8,312,974	7,676,637	7,495,147
% of Total	2.78%	2.75%	2.83%	2.53%	2.52%
% Change	7.83%	4.08%	8.29%	2.42%	3.54%
Tax Liens & Foreclosures	3,473,296	4,596,216	2,387,623	2,025,500	2,373,605
% of Total	1.04%	1.46%	0.81%	0.67%	0.80%
% Change	-24.43%	92.50%	17.88%	-14.67%	18.33%
Payment in Lieu of Taxes	304,394	266,764	284,753	321,660	281,810
% of Total	0.09%	0.08%	0.10%	0.11%	0.09%
% Change	14.11%	-6.32%	-11.47%	14.14%	-1.52%
Intergovernmental	188,661,201	174,650,101	164,728,080	180,739,920	171,731,263
% of Total	56.25%	55.57%	56.13%	59.54%	57.79%
% Change	8.02%	6.02%	-8.86%	5.25%	2.48%
Charges For Services	15,790,498	12,422,024	14,296,798	14,225,613	14,942,109
% of Total	4.71%	3.95%	4.87%	4.69%	5.03%
% Change	27.12%	-13.11%	0.50%	-4.80%	-1.92%
Penalties, Interest & Fines	2,575,776	3,031,422	1,292,527	1,399,610	1,572,860
% of Total	0.77%	0.96%	0.44%	0.46%	0.53%
% Change	-15.03%	134.53%	-7.65%	-11.01%	5.84%
Investment Income	390,836	172,281	100,500	164,478	160,173
% of Total	0.12%	0.05%	0.03%	0.05%	0.05%
% Change	126.86%	71.42%	-38.90%	2.69%	1.69%
Licenses & Permits	2,653,606	2,576,211	2,312,112	2,178,801	2,228,837
% of Total	0.79%	0.82%	0.79%	0.72%	0.75%
% Change	3.00%	11.42%	6.12%	-2.24%	-4.65%
Other	1,073,424	1,633,833	2,291,209	1,863,119	4,440,628
% of Total	0.32%	0.52%	0.78%	0.61%	1.49%
% Change	-34.30%	-28.69%	22.98%	-58.04%	36.50%
Total Revenues	\$ 335,410,431	\$ 314,305,958	\$ 293,474,647	\$ 303,555,259	\$ 297,162,043
% of Total	100.00%	100.00%	100.00%	100.00%	100.00%
% Change	6.71%	7.10%	-3.32%	2.15%	2.09%

\*General fund only

Fiscal Year:										
2012		2011		2010		2009		2008		Source
\$	91,509,765	\$	88,635,177	\$	88,855,232	\$	86,226,605	\$	79,396,213	Real Estate & Personal Property
	31.44%		31.99%		31.69%		31.37%		28.61%	% of Total
	3.24%		-0.25%		3.05%		8.60%		0.58%	% Change
	7,238,544		6,389,451		5,660,486		5,754,497		6,246,878	Motor Vehicle & Other Excises
	2.49%		2.31%		2.02%		2.09%		2.25%	% of Total
	13.29%		12.88%		-1.63%		-7.88%		1.54%	% Change
	2,005,909		1,564,609		1,675,949		2,044,574		1,704,636	Tax Liens & Foreclosures
	0.69%		0.56%		0.60%		0.74%		0.61%	% of Total
	28.21%		-6.64%		-18.03%		19.94%		-40.38%	% Change
	286,155		243,203		208,854		231,223		309,257	Payment in Lieu of Taxes
	0.10%		0.09%		0.07%		0.08%		0.11%	% of Total
	17.66%		16.45%		-9.67%		-25.23%		-47.32%	% Change
	167,578,151		160,471,647		163,336,693		159,690,419		167,507,805	Intergovernmental
	57.57%		57.92%		58.26%		58.10%		60.37%	% of Total
	4.43%		-1.75%		2.28%		-4.67%		5.73%	% Change
	15,234,506		14,900,008		14,978,510		15,143,553		16,022,287	Charges For Services
	5.23%		5.38%		5.34%		5.51%		5.77%	% of Total
	2.24%		-0.52%		-1.09%		-5.48%		7.21%	% Change
	1,486,132		1,354,458		1,541,818		1,826,321		2,223,581	Penalties, Interest & Fines
	0.51%		0.49%		0.55%		0.66%		0.80%	% of Total
	9.72%		-12.15%		-15.58%		-17.87%		-31.25%	% Change
	157,504		87,805		143,933		508,629		1,020,684	Investment Income
	0.05%		0.03%		0.05%		0.19%		0.37%	% of Total
	79.38%		-39.00%		-71.70%		-50.17%		-9.65%	% Change
	2,337,636		2,043,090		2,289,056		1,999,820		2,029,754	Licenses & Permits
	0.80%		0.74%		0.82%		0.73%		0.73%	% of Total
	14.42%		-10.75%		14.46%		-1.47%		-1.24%	% Change
	3,253,233		1,351,209		1,690,748		1,427,484		1,013,754	Miscellaneous and Other
	1.12%		0.49%		0.60%		0.52%		0.37%	% of Total
	140.76%		-20.08%		18.44%		40.81%		-40.06%	% Change
\$	291,087,535	\$	277,040,657	\$	280,381,279	\$	274,853,125	\$	277,474,849	Total Revenues
	100.00%		100.00%		100.00%		100.00%		100.00%	% of Total
	5.07%		-1.19%		2.01%		-0.94%		2.76%	% Change

\*General fund only

## Financial Trends

## Net Position by Component – Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 223,596,765	\$ 175,951,450	\$ 168,323,625	\$ 175,040,568	\$ 122,667,159
Restricted	38,790,029	31,303,068	24,738,122	21,614,231	21,214,642
Unrestricted	(381,467,229)	(347,579,168)	(323,855,964)	(51,074,772)	(40,827,126)
<b>Total governmental activities net position</b>	<b>(119,080,435)</b>	<b>(140,324,650)</b>	<b>(130,794,217)</b>	<b>145,580,027</b>	<b>103,054,675</b>
<b>Business-type activities:</b>					
Net investment in capital assets	51,937,955	53,776,776	56,076,992	47,259,222	42,174,987
Restricted	3,665,721	4,490,037	4,832,301	4,740,697	3,885,863
Unrestricted	(13,326,486)	(12,261,169)	(13,525,686)	(132,497)	70,310
<b>Total business-type activities net position</b>	<b>42,277,190</b>	<b>46,005,644</b>	<b>47,383,607</b>	<b>51,867,422</b>	<b>46,131,160</b>
<b>Primary government:</b>					
Net investment in capital assets	275,534,720	229,728,226	224,400,617	222,299,790	164,842,146
Restricted	42,455,750	35,793,105	29,570,423	26,354,928	25,100,505
Unrestricted	(394,793,715)	(359,840,337)	(337,381,650)	(51,207,269)	(40,756,816)
<b>Total primary government net position</b>	<b>\$ (76,803,245)</b>	<b>\$ (94,319,006)</b>	<b>\$ (83,410,610)</b>	<b>\$ 197,447,449</b>	<b>\$ 149,185,835</b>

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 109,836,290	\$ 93,682,092	\$ 91,139,940	\$ 46,068,416	\$ 30,330,625
Restricted	36,128,571	33,284,547	6,554,307	(4,980,433)	1,624,204
Unrestricted	(37,457,503)	(19,749,784)	16,709,878	46,745,461	64,460,112
<b>Total governmental activities net position</b>	<b>108,507,358</b>	<b>107,216,855</b>	<b>114,404,125</b>	<b>87,833,444</b>	<b>96,414,941</b>
<b>Business-type activities:</b>					
Net investment in capital assets	34,639,149	32,876,583	30,204,707	36,548,706	37,848,404
Restricted	-	-	-	-	(6,068)
Unrestricted	4,446,251	4,365,580	2,633,091	2,503,831	1,819,672
<b>Total business-type activities net position</b>	<b>39,085,400</b>	<b>37,242,163</b>	<b>32,837,798</b>	<b>39,052,537</b>	<b>39,662,008</b>
<b>Primary government:</b>					
Net investment in capital assets	144,475,439	126,558,675	121,344,647	82,617,122	68,179,029
Restricted	36,128,571	33,284,547	6,554,307	(4,980,433)	1,618,136
Unrestricted	(33,011,252)	(15,384,204)	19,342,969	49,249,292	66,279,784
<b>Total primary government net position</b>	<b>\$ 147,592,758</b>	<b>\$ 144,459,018</b>	<b>\$ 147,241,923</b>	<b>\$ 126,885,981</b>	<b>\$ 136,076,949</b>

*See accompanying independent auditor's report*



## Financial Trends

## Changes in Net Position – Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Expenses:</b>					
Governmental Activities:					
General government	\$ 30,786,610	\$ 8,839,182	\$ 16,068,463	\$ 15,141,811	\$ 16,153,044
Public safety	70,242,636	73,006,134	67,315,497	74,704,868	76,832,178
Public works	26,467,868	34,771,249	32,245,284	35,035,623	31,476,749
Health and human services	8,154,854	8,155,432	6,946,019	5,711,823	7,692,498
Education	279,231,909	230,778,684	201,478,727	222,311,813	232,119,911
Community and economic development	6,448,382	5,293,557	6,232,160	5,892,790	6,322,976
Culture and recreation	7,662,237	7,795,457	7,664,014	8,273,031	8,553,876
Municipal airport	73,228	3,073,279	-	-	-
Pension benefits	-	-	24,789,517	-	-
Health and other insurance	-	-	-	-	-
Miscellaneous	-	8,972,342	9,599,109	8,822,341	8,572,875
State and county charges	-	13,624,678	12,149,703	10,252,470	9,581,904
Debt service:					
Interest and fiscal charges	7,237,267	7,312,597	7,141,982	7,567,178	8,714,439
Total governmental activities	436,304,991	401,622,591	391,630,475	393,713,748	406,020,450
Business-type activities:					
Downtown Parking	611,024	573,285	713,144	-	-
Water	9,325,716	10,391,744	9,858,365	9,695,886	9,858,564
Airport	2,511,937	2,260,833	2,201,245	1,416,730	1,103,774
Total business-type activities	12,448,677	13,225,862	12,772,754	11,112,616	10,962,338
Total primary government expenses	\$ 448,753,668	\$ 414,848,453	\$ 404,403,229	\$ 404,826,364	\$ 416,982,788
<b>Program Revenues:</b>					
Governmental activities:					
Fees, fines, and charges for services:					
Public safety	\$ 11,041,992	\$ 6,934,127	\$ 13,204,409	\$ 11,710,026	\$ 11,833,220
Public works	22,092,522	21,753,631	21,056,137	21,145,569	20,683,998
Education	9,266,219	9,927,937	8,937,024	8,969,722	10,055,571
Other	14,443,547	13,148,570	10,674,695	6,283,092	14,749,635
Operating grants and contributions	202,594,871	186,105,062	180,766,856	193,410,279	195,026,746
Capital grants and contributions	39,122,840	16,772,965	19,328,858	9,119,991	18,498,806
Total governmental activities program revenues	298,561,991	254,642,292	253,967,979	250,638,679	270,847,976
Business-type activities:					
Fees, fines, and charges for services:					
Downtown Parking	859,712	856,450	805,292	-	-
Water	12,293,768	12,771,001	11,854,102	11,249,641	11,103,063
Airport	842,110	778,644	686,443	696,532	730,784
Operating grants and contributions	103,266	112,737	-	-	-
Capital grants and contributions	-	-	-	(30,135)	-
Total business-type activities program revenues	14,098,856	14,518,832	13,345,837	11,916,038	11,833,847
Total primary government program revenues	312,660,847	269,161,124	267,313,816	262,554,717	282,681,823

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Expenses:</b>					
Governmental Activities:					
General government	\$ 10,178,439	\$ 7,301,858	\$ 8,092,547	\$ 9,175,028	\$ 12,122,081
Public safety	65,363,621	62,233,060	62,830,473	64,418,136	60,435,155
Public works	41,259,377	43,441,860	42,424,262	42,233,667	43,453,757
Health and human services	8,830,055	9,808,893	9,668,681	9,138,126	8,057,348
Education	234,289,836	234,870,891	239,945,952	238,967,494	225,128,996
Community and economic development	7,398,389	11,810,060	7,660,218	7,387,919	6,937,788
Culture and recreation	6,266,979	7,421,876	7,028,715	7,869,937	7,178,535
Municipal airport	7,489	19,131	3,996	154	175,815
Pension benefits	-	-	-	-	-
Health and other insurance	-	-	-	-	-
Miscellaneous	8,947,755	9,056,400	-	204,191	199,310
State and county charges	8,613,392	7,046,706	6,687,713	6,336,508	5,790,318
Debt service:					
Interest and fiscal charges	8,361,891	8,622,421	9,462,456	3,644,417	5,017,073
Total governmental activities	399,517,223	401,633,156	393,805,013	389,375,577	374,496,176
Business-type activities:					
Downtown Parking	-	-	-	-	-
Water	9,277,526	8,927,363	8,694,380	9,337,547	8,819,228
Airport	983,548	830,488	850,492	1,038,044	1,058,984
Total business-type activities	10,261,074	9,757,851	9,544,872	10,375,591	9,878,212
Total primary government expenses	\$ 409,778,297	\$ 411,391,007	\$ 403,349,885	\$ 399,751,168	\$ 384,374,388
<b>Program Revenues:</b>					
Governmental activities:					
Fees, fines, and charges for services:					
Public safety	\$ 6,080,383	\$ 8,221,095	\$ 6,597,672	\$ 6,315,313	\$ 2,807,078
Public works	19,111,009	19,500,463	17,990,023	17,620,627	16,934,612
Education	1,762,884	3,582,992	3,923,994	4,063,076	4,433,911
Other	10,240,986	10,699,893	11,449,367	9,197,641	12,880,799
Operating grants and contributions	92,141,368	91,297,826	83,185,782	91,722,563	68,858,343
Capital grants and contributions	6,484,528	16,383,975	15,217,856	10,360,973	5,066,545
Total governmental activities program revenues	135,821,158	149,686,244	138,364,694	139,280,193	110,981,288
Business-type activities:					
Fees, fines, and charges for services:					
Downtown Parking	-	-	-	-	-
Water	10,985,169	11,474,583	9,385,876	8,734,997	8,350,938
Airport	752,014	727,514	684,091	719,146	614,723
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	188,869	190,796
Total business-type activities program revenues	11,737,183	12,202,097	10,069,967	9,643,012	9,156,457
Total primary government program revenues	147,558,341	161,888,341	148,434,661	148,923,205	120,137,745

	<b>Fiscal Year</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Primary Government Net (Expense) Revenue:</b>					
Governmental activities	(137,743,000)	(146,980,299)	(137,662,496)	(143,075,069)	(135,172,474)
Business-type activities	1,650,179	1,292,970	573,083	803,422	871,509
<b>Total primary government net expense</b>	<b>\$ (136,092,821)</b>	<b>\$ (145,687,329)</b>	<b>\$ (137,089,413)</b>	<b>\$ (142,271,647)</b>	<b>\$ (134,300,965)</b>
<b>General Revenues and Other Changes in Net Position:</b>					
Governmental activities:					
Real estate and personal property, net of reserve for abatements	\$ 108,897,622	\$ 102,644,537	\$ 98,308,125	\$ 92,873,411	\$ 91,591,832
Motor vehicle and other excise taxes	7,878,858	8,491,077	8,376,223	7,805,742	7,712,745
School building assistance	-	-	-	-	-
Distribution - school aid	-	-	-	-	-
Distribution - lottery	22,118,299	21,206,423	20,803,123	19,917,179	19,457,251
Distribution - additional aid	-	-	-	-	-
Exemptions	2,254,878	2,803,303	2,243,702	2,368,153	2,398,844
State owned land	13,670	13,835	13,833	15,765	15,459
Earnings on investments	878,332	668,425	375,916	903,140	802,801
Tax foreclosures	3,458,518	4,596,216	4,891,263	3,597,795	4,842,778
Penalties and interest on taxes	2,510,437	2,596,564	1,136,906	1,200,406	1,389,535
Fines and forfeitures	-	-	-	-	-
Payments in lieu of taxes	304,394	266,764	284,753	321,660	281,810
Contributions and donations	-	-	-	-	-
Miscellaneous and other	4,048,109	3,474,794	4,827,654	5,160,582	6,914,236
Transfers and special items	6,624,098	(9,312,072)	(10,378,058)	(5,271,593)	(6,311,800)
<b>Total governmental activities</b>	<b>158,987,215</b>	<b>137,449,866</b>	<b>130,883,440</b>	<b>128,892,240</b>	<b>129,095,491</b>
Business-type activities:					
Miscellaneous	58,298	112,807	233,578	338,136	248,498
Transfers and special items	(5,436,931)	(2,783,740)	8,898,744	4,137,262	5,925,753
<b>Total business-type activities</b>	<b>(5,378,633)</b>	<b>(2,670,933)</b>	<b>9,132,322</b>	<b>4,475,398</b>	<b>6,174,251</b>
<b>Total primary government</b>	<b>\$ 153,608,582</b>	<b>\$ 134,778,933</b>	<b>\$ 140,015,762</b>	<b>\$ 133,367,638</b>	<b>\$ 135,269,742</b>
<b>Changes in Net Position:</b>					
Primary Government:					
Governmental activities	21,244,215	(9,530,433)	(6,779,056)	(14,182,829)	(6,076,983)
Business-type activities	(3,728,454)	(1,377,963)	9,705,405	5,278,820	7,045,760
<b>Total change in primary government net position</b>	<b>\$ 17,515,761</b>	<b>\$ (10,908,396)</b>	<b>\$ 2,926,349</b>	<b>\$ (8,904,009)</b>	<b>\$ 968,777</b>

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Primary Government Net (Expense) Revenue:</b>					
Governmental activities	(263,696,065)	(251,946,912)	(255,440,319)	(250,095,384)	(263,514,888)
Business-type activities	1,476,109	2,444,246	525,095	(732,579)	(721,755)
<b>Total primary government net expense</b>	<b>\$ (262,219,956)</b>	<b>\$ (249,502,666)</b>	<b>\$ (254,915,224)</b>	<b>\$ (250,827,963)</b>	<b>\$ (264,236,643)</b>
<b>General Revenues and Other Changes in Net Position:</b>					
Governmental activities:					
Real estate and personal property, net of reserve for abatements	\$ 90,598,652	\$ 89,879,911	\$ 89,256,010	\$ 85,704,440	79,443,107
Motor vehicle and other excise taxes	7,262,504	6,442,709	5,821,484	5,537,923	5,497,886
School building assistance	10,029,155	6,412,464	24,404,955	-	-
Distribution - school aid	111,804,537	106,123,635	108,732,371	99,286,975	107,414,207
Distribution - lottery	18,050,411	19,457,251	20,267,970	25,194,030	27,914,157
Distribution - additional aid	-	-	-	646,459	716,255
Exemptions	520,047	528,703	538,592	557,952	559,902
State owned land	15,454	14,921	29,817	33,098	12,538
Earnings on investments	203,593	1,113,707	1,331,764	107,047	1,239,349
Tax foreclosures	2,843,336	2,685,756	3,326,222	7,627,568	1,938,434
Penalties and interest on taxes	1,308,064	1,171,587	1,340,464	1,582,118	1,923,700
Fines and forfeitures	178,068	182,871	201,354	244,203	300,073
Payments in lieu of taxes	286,155	243,203	208,854	231,223	240,933
Contributions and donations	11,948,013	13,096,027	14,282,430	10,559,327	8,238,230
Miscellaneous and other	11,037,970	3,912,012	5,572,855	4,417,788	3,764,590
Transfers and special items	(438,716)	(1,757,978)	7,521,520	489,030	1,589,578
<b>Total governmental activities</b>	<b>265,647,243</b>	<b>249,506,779</b>	<b>282,836,662</b>	<b>242,219,181</b>	<b>240,792,939</b>
Business-type activities:					
Miscellaneous	327,643	241,748	226,299	106,354	117,999
Transfers and special items	39,485	1,757,978	(6,951,520)	(137,009)	(1,589,578)
<b>Total business-type activities</b>	<b>367,128</b>	<b>1,999,726</b>	<b>(6,725,221)</b>	<b>(30,655)</b>	<b>(1,471,579)</b>
<b>Total primary government</b>	<b>\$ 266,014,371</b>	<b>\$ 251,506,505</b>	<b>\$ 276,111,441</b>	<b>\$ 242,188,526</b>	<b>\$ 239,321,360</b>
<b>Changes in Net Position:</b>					
Primary Government:					
Governmental activities	1,951,178	(2,440,133)	27,396,343	(7,876,203)	(22,721,949)
Business-type activities	1,843,237	4,443,972	(6,200,126)	(763,234)	(2,193,334)
<b>Total change in primary government net position</b>	<b>\$ 3,794,415</b>	<b>\$ 2,003,839</b>	<b>\$ 21,196,217</b>	<b>\$ (8,639,437)</b>	<b>\$ (24,915,283)</b>

## Financial Trends

## Fund Balances of Governmental Funds – Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General Fund:</b>					
Nonspendable	\$ 1,500,816	\$ 1,550,816	\$ 1,900,816	\$ 1,900,816	\$ 1,900,816
Restricted	-	-	-	-	-
Committed	9,671,585	9,088,239	9,452,780	9,417,934	8,841,931
Assigned	143,081	26,106	8,505	1,301,724	1,063,133
Unassigned	16,662,603	17,244,879	11,878,945	15,407,340	16,830,138
<b>Total general fund</b>	<b>\$ 27,978,085</b>	<b>\$ 27,910,040</b>	<b>\$ 23,241,046</b>	<b>\$ 28,027,814</b>	<b>\$ 28,636,018</b>
<b>All other Governmental Funds:</b>					
Nonspendable	5,153,784	5,153,784	5,409,660	5,429,761	5,446,189
Restricted	33,662,618	26,175,657	19,610,711	16,486,820	16,087,231
Committed	4,977,177	3,436,877	6,023,049	8,689,775	8,501,817
Assigned	8,623	5,967	-	-	-
Unassigned	(20,524,308)	(19,743,746)	(18,182,553)	(8,996,126)	(14,039,518)
<b>Total all other governmental funds</b>	<b>\$ 23,277,894</b>	<b>\$ 15,028,539</b>	<b>\$ 12,860,867</b>	<b>\$ 21,610,230</b>	<b>\$ 15,995,719</b>
<b>General Fund:</b>					
Reserved for:					
Encumbrances	N/A	N/A	N/A	N/A	N/A
Debt service	N/A	N/A	N/A	N/A	N/A
Other specific purposes	N/A	N/A	N/A	N/A	N/A
Designated for subsequent years expenditures	N/A	N/A	N/A	N/A	N/A
Unreserved/undesignated	N/A	N/A	N/A	N/A	N/A
<b>Total general fund</b>					
<b>All other Governmental Funds:</b>					
Reserved for:					
Encumbrances	N/A	N/A	N/A	N/A	N/A
Debt service	N/A	N/A	N/A	N/A	N/A
Non expendable bequests	N/A	N/A	N/A	N/A	N/A
Inventory	N/A	N/A	N/A	N/A	N/A
Other specific purposes	N/A	N/A	N/A	N/A	N/A
Unreserved:	N/A	N/A	N/A	N/A	N/A
Undesignated:					
Special revenue	N/A	N/A	N/A	N/A	N/A
Capital projects	N/A	N/A	N/A	N/A	N/A
Reported in permanent funds	N/A	N/A	N/A	N/A	N/A
<b>Total all other governmental funds</b>					

*Note:* For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Other Governmental Fund Type Definitions*. Statement No. 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the City is bound to follow constraints on the use of governmental fund resources. These classifications are described in Note 1 to the financial statements.

	Fiscal Year		2010	2009	2008
	2012	2011*			
<b>General Fund:</b>					
Nondisposable	\$ 1,959,143	\$ 1,990,321	N/A	N/A	N/A
Restricted	-	-	N/A	N/A	N/A
Committed	6,884,927	5,726,798	N/A	N/A	N/A
Assigned	639,281	7,519	N/A	N/A	N/A
Unassigned	19,230,621	12,445,904	N/A	N/A	N/A
<b>Total general fund</b>	<b>\$ 28,713,972</b>	<b>\$ 20,170,542</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All other Governmental Funds:</b>					
Nondisposable	5,313,219	5,445,805	N/A	N/A	N/A
Restricted	11,240,433	15,207,830	N/A	N/A	N/A
Committed	5,280,315	4,905,165	N/A	N/A	N/A
Assigned	4,811,253	1,109	N/A	N/A	N/A
Unassigned	(16,407,079)	(28,960,709)	N/A	N/A	N/A
<b>Total all other governmental funds</b>	<b>\$ 10,238,141</b>	<b>\$ (3,400,800)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Fund:</b>					
Reserved for:					
Encumbrances	N/A	N/A	\$ 2,039	\$ 62,981	\$ 134,334
Debt service	N/A	N/A	-	523,890	472,648
Other specific purposes	N/A	N/A	595,984	(541)	(30,680)
Designated for subsequent years expenditures	N/A	N/A	-	-	-
Unreserved/undesignated	N/A	N/A	16,958,461	16,450,426	17,890,974
<b>Total general fund</b>			<b>\$ 17,556,484</b>	<b>\$ 17,036,756</b>	<b>\$ 18,467,276</b>
<b>All other Governmental Funds:</b>					
Reserved for:					
Encumbrances	N/A	N/A	\$ -	\$ -	\$ -
Debt service	N/A	N/A	2,900,576	2,900,576	2,904,517
Non expendable bequests	N/A	N/A	5,127,411	5,102,411	5,102,411
Inventory	N/A	N/A	-	-	-
Other specific purposes	N/A	N/A	1,635,918	1,614,411	1,573,938
Unreserved:	N/A	N/A	2,664,335	1,980,627	2,227,631
Undesignated:					
Special revenue	N/A	N/A	12,807,587	13,950,027	18,209,002
Capital projects	N/A	N/A	(16,525,571)	(29,072,992)	(25,601,957)
Reported in permanent funds	N/A	N/A	1,443,601	617,665	1,989,015
<b>Total all other governmental funds</b>			<b>\$ 10,053,857</b>	<b>\$ (2,907,275)</b>	<b>\$ 6,404,557</b>

## Financial Trends

## Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues:</b>					
Real estate and personal property taxes	\$ 111,158,506	\$ 106,305,255	\$ 97,468,071	\$ 92,959,921	\$ 91,935,611
Motor vehicle and other excise taxes	9,328,894	8,651,851	8,312,974	7,676,637	7,495,147
School Building Authority Reimbursement	31,191,301	9,056,821	6,599,997	1,754,667	2,583,007
Tax liens and foreclosures	3,972,612	5,074,797	2,585,724	2,142,591	2,616,215
Penalties interest on taxes	2,575,776	2,820,472	1,136,906	1,200,406	1,389,535
Licenses and permits	2,653,606	2,576,211	2,312,112	2,178,801	2,228,837
Fines and forfeitures	98,528	210,950	155,621	199,204	183,325
Investment income	867,176	681,245	367,181	892,853	792,833
Intergovernmental - operating grants	227,743,082	213,211,658	206,353,407	214,769,403	216,769,916
Intergovernmental - capital grants	11,573,866	10,080,871	15,094,883	12,825,701	15,917,874
Charges for services	38,608,394	34,066,659	35,724,239	35,739,020	36,026,684
Other - indirects	959,384	646,482	1,455,715	1,326,399	1,511,236
Special assessments & betterments	17,231	15,264	30,539	26,752	40,428
Payments in lieu of taxes	304,394	266,764	284,753	321,660	281,810
Miscellaneous	6,774,911	5,854,964	4,831,390	5,238,522	6,887,971
<b>Total revenues</b>	<b>447,827,661</b>	<b>399,520,264</b>	<b>382,713,512</b>	<b>379,252,537</b>	<b>386,660,429</b>
<b>Expenditures:</b>					
General government	11,648,859	11,950,710	11,900,981	9,913,579	8,899,518
Public safety	49,803,351	49,304,433	50,275,256	46,916,727	47,090,156
Education	228,265,703	178,895,302	168,278,869	172,724,226	173,342,593
Public works	38,863,915	48,096,589	42,870,611	31,618,117	33,363,631
Community and economic development	6,227,151	5,066,579	5,986,424	5,728,310	6,048,771
Health & human services	6,688,499	6,290,357	5,838,094	4,913,853	5,939,571
Municipal airport	1,323,943	3,073,277	8,556,574	7,155,263	9,064,427
Culture and recreation	6,803,544	6,213,591	6,209,223	5,899,311	5,512,175
Pension benefits	26,724,377	25,734,949	23,204,752	23,692,690	22,629,695
Health and other insurances	39,767,304	37,842,585	38,008,103	36,800,963	36,322,214
Miscellaneous	9,670,903	8,972,342	9,599,109	8,822,341	8,572,875
State and county charges	15,141,498	13,624,678	12,149,703	10,252,470	9,581,904
Debt service:					
Principal payments	16,119,765	15,117,303	14,287,694	14,034,910	12,846,284
Interest and fiscal charges	6,724,646	6,937,764	7,360,484	7,474,751	8,051,813
Debt administrative fees	558,602	427,189	295,060	226,868	494,872
<b>Total Expenditures</b>	<b>464,332,060</b>	<b>417,547,648</b>	<b>404,820,937</b>	<b>386,174,379</b>	<b>387,760,499</b>
<b>Deficiency of revenues under expenditures</b>	<b>(16,504,399)</b>	<b>(18,027,384)</b>	<b>(22,107,425)</b>	<b>(6,921,842)</b>	<b>(1,100,070)</b>
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	18,748,277	22,325,124	7,948,000	10,000,000	4,373,000
Special items	782,935	230,140	99,416	9,063	80,645
Transfers, net	5,290,587	2,308,786	523,878	1,919,086	2,326,049
Total other financing sources (uses)	24,821,799	24,864,050	8,571,294	11,928,149	6,779,694
<b>Net change in fund balances</b>	<b>\$ 8,317,400</b>	<b>\$ 6,836,666</b>	<b>\$ (13,536,131)</b>	<b>\$ 5,006,307</b>	<b>\$ 5,679,624</b>
Debt services as a percentage of noncapital expenditures	5.71%	5.90%	5.87%	5.83%	5.77%

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Revenues:</b>					
Real estate and personal property taxes	\$ 91,509,765	\$ 88,635,177	\$ 88,855,232	\$ 85,226,605	\$ 79,396,213
Motor vehicle and other excise taxes	7,238,544	6,389,451	5,660,486	5,754,497	6,246,878
School Building Authority Reimbursement	10,029,155	6,412,464	24,404,955	-	-
Tax liens and foreclosures	2,005,909	1,564,609	1,675,949	2,044,574	1,704,636
Penalties interest on taxes	1,308,064	1,171,587	1,340,464	1,582,118	1,923,700
Licenses and permits	2,337,636	2,043,090	2,289,056	1,999,820	2,029,754
Fines and forfeitures	178,068	182,871	201,354	244,203	299,881
Investment income	161,999	1,105,358	1,331,764	104,917	1,236,718
Intergovernmental - operating grants	221,677,750	215,146,275	212,607,762	219,178,041	213,263,888
Intergovernmental - capital grants	6,514,411	16,355,832	15,219,351	7,296,070	459,266
Charges for services	34,235,684	36,509,490	35,526,152	34,788,565	32,759,675
Other - indirects	1,738,171	1,058,366	1,065,500	602,941	392,966
Special assessments & betterments	595	442	291	18,334	512
Payments in lieu of taxes	286,155	243,203	208,854	231,223	309,257
Miscellaneous	11,072,271	3,930,895	5,602,065	4,446,652	7,019,486
<b>Total revenues</b>	<b>390,294,177</b>	<b>380,749,110</b>	<b>395,989,235</b>	<b>363,518,560</b>	<b>347,042,830</b>
<b>Expenditures:</b>					
General government	11,114,721	7,553,366	10,848,643	7,817,032	10,187,978
Public safety	44,887,339	42,757,687	42,110,700	46,156,810	45,232,483
Education	175,272,983	179,895,589	198,474,578	180,303,820	168,330,604
Public works	42,928,402	44,598,487	40,101,931	50,108,959	46,148,784
Community and economic development	7,121,079	11,581,020	7,671,419	7,213,619	7,021,793
Health & human services	5,223,018	5,424,406	5,244,520	4,973,743	6,734,842
Municipal airport	1,900,951	3,775,917	599,251	737,080	1,064,050
Culture and recreation	4,867,945	4,749,249	4,664,364	5,435,191	5,705,206
Pension benefits	22,246,981	22,079,203	22,224,935	20,112,623	19,316,008
Health and other insurances	35,442,224	37,578,611	38,995,217	38,243,298	31,753,513
Miscellaneous	8,947,755	9,056,400	-	204,191	199,310
State and county charges	8,613,392	7,046,706	6,687,713	6,336,508	5,790,318
Debt service:					
Principal payments	12,336,355	12,032,130	12,189,150	10,262,040	10,637,786
Interest and fiscal charges	8,135,819	8,759,412	9,387,837	4,633,439	5,058,909
Debt administrative fees	-	-	-	-	-
<b>Total Expenditures</b>	<b>389,038,964</b>	<b>396,888,183</b>	<b>399,200,258</b>	<b>382,538,353</b>	<b>363,181,584</b>
<b>Deficiency of revenues under expenditures</b>	<b>1,255,213</b>	<b>(16,139,073)</b>	<b>(3,211,023)</b>	<b>(19,019,793)</b>	<b>(16,138,754)</b>
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	19,612,962	6,628,741	15,521,000	8,644,082	23,527,347
Special items	-	-	-	-	-
Transfers, net	1,974,871	1,998,808	1,990,491	(438,077)	261,655
<b>Total other financing sources (uses)</b>	<b>21,587,833</b>	<b>8,627,549</b>	<b>17,511,491</b>	<b>8,206,005</b>	<b>23,789,002</b>
<b>Net change in fund balances</b>	<b>\$ 22,843,046</b>	<b>\$ (7,511,524)</b>	<b>\$ 14,300,468</b>	<b>\$ (10,813,788)</b>	<b>\$ 7,650,248</b>
Debt services as a percentage of noncapital expenditures	5.55%	5.67%	5.97%	4.09%	4.49%



**Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant revenue source, the property tax:*

**Assessed and Estimated Actual Value of All Taxable Property – Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>			<b>Personal Property</b>	<b>Total Assessed Value<sup>(1)</sup></b>	<b>Total Direct Tax Rate<sup>(b) &amp; (c)</sup></b>
	<b>Residential Value<sup>(a)</sup></b>	<b>Commercial Value</b>	<b>Industrial Value</b>	<b>Assessed Value</b>		
2017	\$ 4,423,238,525	\$ 632,504,675	\$ 278,142,100	\$ 206,010,660	\$ 5,539,895,960	\$ 20.59
2016	4,235,421,917	632,951,083	273,241,100	193,375,530	5,334,989,630	20.48
2015	4,159,548,043	617,099,037	272,483,400	188,082,010	5,237,212,490	19.40
2014	4,130,253,323	619,997,827	279,247,500	196,935,110	5,226,433,760	18.50
2013	4,381,853,008	635,661,832	278,138,700	183,916,080	5,479,569,620	17.38
2012	4,565,293,028	643,561,772	275,829,200	190,843,230	5,675,527,230	16.63
2011	4,900,928,982	639,983,918	277,269,600	189,461,030	6,007,643,530	15.51
2010	5,383,751,302	645,622,398	280,345,900	175,044,950	6,484,764,550	14.21
2009	5,497,681,345	637,580,655	292,122,100	167,447,410	6,594,831,510	13.46
2008	5,657,198,843	629,659,057	289,760,200	149,591,760	6,726,209,860	12.29

<sup>(1)</sup> The assessed valuation of taxable property reflects 100% of the full and fair cash value.

<sup>(a)</sup> Exempt residential properties not included

<sup>(b)</sup> Tax rates are per \$1,000 of assessed value and are reported in whole dollars in the above table

<sup>(c)</sup> Total direct tax rate is the weighted average calculation of the residential and commercial values.

*Source:* City of New Bedford Assessing Department

## Revenue Capacity

## Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years

<b>Fiscal Year <sup>(1)</sup></b>	<b>Class <sup>(2)</sup></b>	<b>City General</b>	<b>Total</b>	<b>% Change</b>	<b>Total Direct <sup>(3)</sup></b>
2017	Residential C.P.	\$ 16.69 36.03	\$ 16.69 36.03	1.21% 0.56%	\$ 20.59
2016	Residential C.P.	16.49 35.83	16.49 35.83	4.83% 6.76%	20.48
2015	Residential C.P.	15.73 33.56	15.73 33.56	3.76% 7.98%	19.40
2014	Residential C.P.	15.16 31.08	15.16 31.08	5.79% 5.21%	18.50
2013	Residential C.P.	14.33 29.54	14.33 29.54	4.14% 3.87%	17.38
2012	Residential C.P.	13.76 28.44	13.76 28.44	6.83% 4.79%	16.63
2011	Residential C.P.	12.88 27.14	12.88 27.14	7.07% 9.13%	15.51
2010	Residential C.P.	12.03 24.87	12.03 24.87	5.07% 5.56%	14.21
2009	Residential C.P.	11.45 23.56	11.45 23.56	8.53% 9.53%	13.46
2008	Residential C.P.	10.55 21.51	10.55 21.51	2.33% -3.76%	12.29

<sup>(1)</sup> Per the initiatives of Proposition 2 ½ adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

<sup>(2)</sup> Real and personal property tax rates are per \$1,000 of assessed value.

<sup>(3)</sup> Total direct tax rate is the weighted average calculation of the residential, commercial and personal property values. C.P. = Commercial and personal property.

## Revenue Capacity

## Largest Principle Taxpayers – Current Year and Nine Years Ago

Taxpayer	2017				2008			
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Total Tax Liability	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Total Tax Liability
ACORN MANAGEMENT COMPANY	\$ 36,774,100	1	0.66%	\$ 1,317,616.00				
CEDAR-FIELDSTONE LLC	30,148,600	2	0.54%	1,080,224	\$ 21,274,500	2	0.32%	\$ 457,614.50
PATRICK CARNEY/CLAREMONT CORP	28,776,900	3	0.52%	1,031,076	32,763,900	1	0.49%	704,751
RONALD OLIVEIRA, TRUSTEE	13,751,800	4	0.25%	492,727				
DEMOULAS SUPER MARKETS INC	11,091,400	5	0.20%	397,405				
AFC CABLE SYSTEMS INC	10,721,900	6	0.19%	384,166				
NSTAR/EVERSOURCE	10,125,100	7	0.18%	362,782	10,459,100	5	0.16%	224,975
COMPASS BANK/SOVEREIGN BANK/SANTANDER	9,906,700	8	0.18%	354,957	13,819,700	4	0.21%	297,262
ACUSHNET COMPANY	9,811,200	9	0.18%	351,535	9,886,900	6	0.15%	212,667
ASP LLC	8,928,200	10	0.16%	319,897				
MULTILAYER COATING TECHNOLOGIES, LLC					21,000,000	3	0.31%	451,710
MARITIME TERMINAL INC					9,448,200	7	0.14%	203,231
KING PLAZA ASSOC LTD of PA					9,424,500	8	0.14%	202,721
MEDICAL PROP TRUST INC					9,109,000	9	0.14%	195,935
YALE I. PAPRIN, TRUSTEE					8,922,600	10	0.13%	191,925
Total City Taxable Assessed Valuation:	<u>\$ 5,539,895,960</u>		<u>3.07%</u>		<u>\$ 6,726,209,860</u>		<u>2.17%</u>	

*Note:* The largest taxpayers table includes entities with a fiscal year 2017 tax liability greater than \$325,000. The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in the particular parcel.

*Source:* City of New Bedford Assessing and Treasury Departments

## Revenue Capacity

## Property Tax Levies and Collections – Last Ten Fiscal Years

Fiscal Year	Tax Levy			Tax Levy Collected within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2017		
	Gross	Net <sup>(1)</sup>	Net % Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2017	\$ 114,057,032	\$ 112,865,716	98.96%	\$ 110,250,334	96.66%	97.68%	\$ 110,250,334	96.66%	97.68%
2016	109,239,619	108,032,112	98.89%	104,699,832	95.84%	96.92%	104,699,832	95.84%	96.92%
2015	101,596,110	100,427,401	98.85%	96,744,598	95.22%	96.33%	98,445,618	96.90%	98.03%
2014	96,683,928	94,532,243 *	97.77%	91,596,294	94.74%	96.89%	93,182,785	96.38%	98.57%
2013	95,218,502	93,765,659	98.47%	90,161,708	94.69%	96.16%	91,991,945	96.61%	98.11%
2012	94,393,493	92,842,127	98.36%	89,104,284	94.40%	95.97%	90,886,830	96.29%	97.89%
2011	93,160,198	91,735,835	98.47%	88,316,833	94.80%	96.27%	88,316,833	94.80%	96.27%
2010	92,148,727	90,847,260	98.59%	86,712,074	94.10%	95.45%	88,950,646	96.53%	97.91%
2009	88,797,309	87,267,155	98.28%	83,418,664	93.94%	95.59%	85,594,904	96.39%	98.08%
2008	82,677,875	81,430,381	98.49%	78,185,851	94.57%	96.02%	79,922,871	96.67%	98.15%

\* - Revaluation year

<sup>(1)</sup> – net after deductions of overlay for abatements

Source: City of New Bedford Treasury Departments

**Debt Capacity**

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future (see accompanying Note 15 of the basic financial statements):*

**Ratios of Outstanding Debt by Type – Last Ten Fiscal Years**

<b>Governmental Activities</b>				
<b>Fiscal Year</b>	<b>General Obligation Bonds Outstanding</b>	<b>Notes Payable<sup>(1)</sup></b>	<b>Interim Loan Payable</b>	<b>Capital Lease Agreements</b>
2017	\$ 182,819,693	\$ 35,696,514	\$ -	\$ 17,781,082
2016	181,782,528	33,818,882	14,005,722	16,688,491
2015	177,961,607	33,484,658	15,279,605	3,043,001
2014	184,772,649	25,183,346	2,000,000	1,562,249
2013	190,718,338	22,750,000	483,175	667,322
2012	200,004,247	26,929,625	483,175	350,141
2011	192,727,630	30,005,125	11,060,061	62,665
2010	198,179,029	28,431,250	-	-
2009	205,410,316	45,874,874	-	73,598
2008	215,955,534	44,721,456	8,644,082	151,580

*Note:* Details regarding the City's outstanding debt can be found in the notes to the financial statements

- <sup>(1)</sup> – Includes only bond anticipation notes
- <sup>(2)</sup> – See page 137 for the City's total personal income data
- <sup>(3)</sup> – See page 137 for the City's population data

<b>Business-Type Activities</b>					
<b>Fiscal Year</b>	<b>General &amp; Special Obligation Bonds</b>	<b>Capital Lease Agreements</b>	<b>Total Primary Government</b>	<b>% of Total Personal Income<sup>(2)</sup></b>	<b>Per Capita<sup>(3)</sup></b>
2017	\$ 25,479,875	\$ 57,164	\$ 261,834,328	12.49%	\$ 2,755
2016	25,910,773	389,540	272,595,936	13.25%	2,870
2015	27,616,658	482,292	257,867,821	12.81%	2,714
2014	29,596,150	27,289	243,141,683	12.14%	2,557
2013	29,614,510	165,850	244,399,195	12.07%	2,575
2012	30,566,699	218,683	258,552,570	12.65%	2,726
2011	32,292,316	22,384	266,170,181	13.69%	2,800
2010	33,905,313	-	260,515,592	13.69%	2,861
2009	24,710,502	22,826	276,092,116	14.70%	3,034
2008	18,065,394	44,717	287,582,763	16.04%	3,131

*See accompanying independent auditor's report*

## Debt Capacity

**Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Per Capita – Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Net General Bonded Debt Outstanding</b>	<b>Assessed Value <sup>(1)</sup></b>	<b>Ratio of General Bonded Debt to Assessed Value</b>	<b>General Bonded Debt per Capita <sup>(2)</sup></b>
2017	\$ 182,819,693	\$ 5,539,895,960	3.30%	\$ 1,924
2016	181,782,528	5,334,989,630	3.41%	1,914
2015	177,961,607	5,237,212,490	3.40%	1,873
2014	184,772,649	5,226,433,760	3.54%	1,943
2013	190,718,338	5,479,569,620	3.48%	2,009
2012	200,004,247	5,675,527,230	3.52%	2,109
2011	192,727,630	6,007,643,530	3.21%	2,027
2010	198,179,029	6,484,764,550	3.06%	2,177
2009	205,410,316	6,594,831,510	3.11%	2,257
2008	215,955,534	6,726,209,860	3.21%	2,351

<sup>(1)</sup> – See page 130 for the City's total assessed value of property

<sup>(2)</sup> – See page 137 for the City's population data

*See accompanying independent auditor's report*

## Debt Capacity

## Legal Debt Margin Information – Last Ten Fiscal Years

Fiscal Year Ending	Equalized Valuation as of January 1	Debt limit <sup>(1)</sup>	Outstanding Debt at June 30	Debt Authorized But Not Yet Issued	Debt Outside Debt Limit (MGL 44:8)	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2017	\$ 5,618,295,200	\$ 280,914,760	\$ 243,995,981	\$ 407,974,626	\$ (594,624,107)	\$ 57,346,500	\$ 223,568,260	20.41%
2016	5,366,953,500	268,347,675	138,542,699	324,868,309	(403,847,508)	59,563,500	208,784,175	22.20%
2015	5,366,953,500	268,347,675	143,719,264	285,510,355	(377,207,619)	52,022,000	216,325,675	19.39%
2014	5,818,718,300	290,935,915				50,440,001	240,495,914	17.34%
2013	5,818,718,300	290,935,915				56,449,274	234,486,641	19.40%
2012	6,474,455,300	323,722,765				58,158,400	265,564,365	17.97%
2011	6,474,455,300	323,722,765				60,583,000	263,139,765	18.71%
2010	7,140,048,800	357,002,440				66,073,225	290,929,215	18.51%
2009	7,140,048,800	357,002,440				66,924,075	290,078,365	18.75%
2008	6,341,749,200	317,087,460				72,033,669	245,053,791	22.72%

- <sup>(1)</sup> – The laws of the Commonwealth of Massachusetts provide for general debt limits for the city, consisting of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit (above) is 5.0% of the assessed valuation of taxable property in the City as last equalized by the State Department of Revenue, and may authorize debt up to this limit without State approval. The City may also authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Commonwealth's Secretary of Administration and Finance.

**Legal Debt Margin Calculation for Fiscal Year 2017**  
**(MGL Chapter 44 Section 10)**

Equalized Valuation at January 1, 2016	\$ 5,618,295,200
Normal Debt Limit (5% of Equalized Valuation)	<u>\$ 280,914,760</u>
 Total Outstanding Debt at June 30, 2017	 146,849,466
Add: Debt Authorized But Not Yet Issued <sup>(2)</sup>	<u>407,974,626</u>
Equals: Gross Debt	554,824,092
 Less: Debt Outside the Debt Limit (MGL Chapter 44 Section 8)	 (375,872,822)
Equals: Net Debt Subject to Debt Limit	<u>\$ 178,951,270</u>
 Remaining Borrowing Capacity	 <u>\$ 101,963,490</u>

- <sup>(2)</sup> – The Debt authorized but unissued as of June 30, 2016 and City Council authorizations during fiscal year 2017 are reported for the purposes of the computation of legal debt margin within the Normal Debt Limit.

## Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:*

### Demographic and Economic Statistics – Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Civilian Labor Force <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>		Per Capita Income <sup>(2)</sup>	Households		
			New Bedford	MA Statewide		Number of Households <sup>(2)</sup>	Median Income <sup>(2)</sup>	Mean Income <sup>(2)</sup>
2017	95,032	48,691	7.1%	4.4%	\$ 22,056	39,254	\$ 38,178	\$ 51,113
2016	94,975	46,783	6.4%	4.0%	21,665	39,141	37,574	50,324
2015	95,029	47,212	8.4%	5.2%	21,181	39,088	36,813	49,199
2014	95,096	47,084	10.0%	6.0%	21,056	39,068	35,999	48,937
2013	94,909	47,477	12.7%	7.3%	21,343	39,159	36,789	49,506
2012	94,841	46,870	11.9%	6.9%	21,558	38,869	37,493	50,601
2011	95,072	46,158	11.9%	7.6%	20,447	38,729	36,172	48,347
2010	91,053	46,761	12.8%	8.4%	20,899	36,833	36,457	48,910
2009	90,996	42,563	12.8%	8.3%	20,647	38,035	36,809	49,045
2008	91,849	41,537	8.7%	5.6%	19,526	38,019	34,626	46,532

#### Sources:

- (1) U.S. Census Bureau, Population Division. 2008-2010 data as of July 1 of each fiscal year per Annual Estimates of the Resident Population for Minor Civil Divisions in Massachusetts: April 1, 2000 to July 1, 2009. 2011 data as of April 1, 2010 per 2010 Census. 2012-2017 data as of July 1 of each fiscal year per Annual Estimates of the Resident Population for Incorporated Places of 50,000 or More, Ranked by July 1, 2016 Population: April 1, 2010 to July 1, 2016.
- (2) U.S. Census Bureau, American Community Survey Five-Year Estimates, for the five-year periods ending July 1 of each fiscal year, excepting 2008-2009 data, which are for the three-year periods ending July 1 of those fiscal years
- (3) Massachusetts Executive Office of Labor and Workforce Development, Labor Market Information as of June 30 of each fiscal year (unadjusted)



## Demographic and Economic Information

**Principal Employers – Current Fiscal Year and Nine Years Before**

<b>Employer <sup>(1)</sup></b>	<b>2017</b>			<b>2008</b>		
	<b>Employees (2)</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>
Southcoast Health Systems	1,000-4,999	1		5,584	1	13.13%
Joseph Abboud Manufacturing	500-999	2		497	4	1.17%
Acushnet Company	250-499	3		3,500	2	8.23%
Ahead Inc.	250-499	4		301	7	0.71%
Bristol County Savings Bank	250-499	5				
Brittany Dyeing & Printing Co.	250-499	6				
Greater New Bedford Community Health Center	250-499	7				
Polaroid Corp	250-499	8				
Sacred Heart	250-499	9				
Shaw's Supermarkets	250-499	10				
University of Massachusetts - Dartmouth				1,000	3	2.35%
Friendly Fruit/Sid Wainer				320	6	0.75%
Tremblay's Bus Company				400	5	0.94%
Precix, Inc.				274	8	0.64%
Lifestream, Inc.				270	9	0.63%
Olin Aegis				240	10	0.56%
Total Labor Force	<u>46,697</u>			<u>42,525</u>		<u>29.13%</u>

Notes: (1) Excludes Federal, State and City employers

(2) Massachusetts Executive Office of Labor and Workforce Development only provides range of employees

Source: Massachusetts Executive Office of Labor and Workforce Development (January 2018)

## Operating Information

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:*

### City Government Employees by Department – Last Ten Fiscal Years

	Fiscal Year <sup>(1)</sup>									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Education <sup>(2)</sup> :										
Teachers	901	835	849	816	877	861	887	879	865	864
Other	687	602	651	668	686	684	681	750	749	793
Total	1,588	1,436	1,500	1,484	1,563	1,545	1,568	1,629	1,614	1,657
Public safety:										
Police	302	301	307	308	317	307	299	298	295	347
Fire	212	219	226	235	239	242	238	202	187	231
Other	60	59	52	66	74	63	54	73	74	72
Total public safety	574	579	585	609	630	612	591	573	556	650
Public works	110	109	122	121	81	66	59	48	53	71
Other governmental-type	382	367	373	358	405	375	381	385	412	472
Total governmental-type	2,654	2,491	2,580	2,572	2,679	2,598	2,599	2,635	2,635	2,850
Business-type:										
Water	75	71	66	73	67	74	70	69	67	53
Airport	7	6	8	8	7	9	6	7	7	8
Downtown Parking	11	9	9	-	-	-	-	-	-	-
Total business-type	93	86	83	81	74	83	76	76	74	61
Total City Employees	2,747	2,577	2,663	2,653	2,753	2,681	2,675	2,711	2,709	2,911

#### Notes to City Government Employees by Department:

<sup>(1)</sup> All employee totals are based on the last payroll of each fiscal year unless otherwise noted below.

<sup>(2)</sup> Education employee totals are based on Department of Elementary and Secondary Education (DESE) statistics as of October 1.

## Operating Information

## Operating Indicators by Function – Last Ten Fiscal Years

Function/Program	Fiscal Year <sup>(1)</sup>									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Education:</b>										
Student enrollment as of June 30 <sup>(2)</sup>	12,640	12,681	12,565	12,744	12,616	12,551	12,538	12,636	12,609	12,988
<b>Public safety:</b>										
Violent crimes reported <sup>(3)</sup>	819	1,094	1,199	1,039	1,030	1,093	1,160	1,184	1,191	1,093
Property crimes reported <sup>(3)</sup>	2,946	3,394	3,382	3,457	3,209	3,359	3,628	3,273	3,396	3,185
Police calls dispatched	90,459	89,914	92,560	86,971	84,937	86,291	85,055	89,934	(4)	n/a
Police citations issued	6,412	6,989	9,312	6,298	5,511	6,681	6,987	7,229	7,169	n/a
Arrests made <sup>(5)</sup>	3,841	3,755	4,328	4,589	4,251	4,507	4,228	4,220	4,726	4,726
Accidents reported	5,627	5,584	5,886	5,166	5,045	5,157	5,243	5,450	(4)	n/a
Fires reported	457	471	443	362	(4)	(4)	n/a	n/a	n/a	n/a
Fire calls responded to	2,632	265	2,463	2,352	(4)	n/a	n/a	n/a	n/a	n/a
Emergency medical calls	11,581	15,812	14,783	15,184	13,695	13,476	13,054	(4)	n/a	n/a
Emergency medical calls responded to <sup>(6)</sup>	11,581	18,784	16,681	17,847	16,131	16,041	14,908	(4)		
Fire inspections conducted	4,376	4,549	(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Parking tickets issued <sup>(7)</sup>	7,662	3,631	4,446	5,753	4,841	7,682	5,411	2,127	6,642	1,136
<b>Inspectional Services</b>										
Building permits issued	3,180	3,035	2,691	2,402	2,440	2,452	2,098	1,516	n/a	n/a
Building permit value (000s)	\$ 79,168	\$ 69,321	\$ 59,852	\$ 46,194	\$ 46,428	\$ 53,996	\$ 38,421	\$ 76,338	n/a	n/a
Food establishment inspections conducted	947	900	987	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Public Works:</b>										
Potholes repaired	11,815	12,567	9,961	9,086	3,919	3,655	13,506	n/a	n/a	n/a
Trees planted	415	874	468	650	n/a	n/a	n/a	n/a	n/a	n/a
<b>Culture &amp; recreation:</b>										
Library physical circulation	237,756	248,629	257,215	283,728	304,255	275,545	275,609	273,670	255,722	237,992
Library electronic circulation	13,148	15,623	10,038	7,894	5,109	2,786	2,722	1,896	753	203
Seasonal parks and recreation staff employed	116	81	121	120	111	55	n/a	n/a	n/a	n/a
Supportive recreational program participants	2,602	3,427	1,694	1,466	2,738	n/a	n/a	n/a	n/a	n/a
Summer recreational program participants	2,190	2,550	2,204	2,000	1,799	1,135	1,619	1,160	n/a	n/a
Summer meals served	94,092	92,588	88,146	80,000	76,000	69,774	77,968	58,369	n/a	n/a
Recreational facility rental contracts	228	727	769	175	102	n/a	n/a	n/a	n/a	n/a
Buttonwood Park Zoo attendance		567,862	499,663	485,036	467,862	n/a	n/a	n/a	n/a	n/a
<b>Water:</b>										
Water treated (CCF)	5,146,406	5,650,558	5,771,195	6,462,535	5,463,197	6,114,741	5,345,023	6,234,584	5,269,678	5,704,967
Water consumed (billed CCF)	4,870,580	5,596,312	4,694,285	4,642,548	4,655,791	4,486,862	4,697,679	5,252,014	4,382,392	4,862,386
<b>Airport:</b>										
Aircraft operations, total	47,117	52,115	43,983	49,520	52,837	56,418	53,427	67,750	59,356	60,080
Aircraft operations, jet service only	1,221	1,072	961	392	n/a	n/a	n/a	n/a	n/a	n/a
Passenger enplanements	6,646	7,461	7,068	9,773	11,474	11,919	11,406	11,984	12,794	13,990
<b>Downtown Parking:</b>										
Parking tickets issued <sup>(7)</sup>	19,536	28,435	24,536	23,044	21,884	28,203	28,853	31,213	26,218	24,639

Notes to Operating Indicators By Function:

<sup>(1)</sup> All operational data was furnished by City departments unless otherwise noted below.

<sup>(2)</sup> Student enrollment data is from the Massachusetts Department of Elementary and Secondary Education (DESE) as of October 1 of each fiscal year.

<sup>(3)</sup> Crime statistics have been aggregated by City-Data.com from the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) Program for years ending December 31.

<sup>(4)</sup> Tracking commenced during the fiscal year. Partial year data has not presented.

<sup>(5)</sup> Arrest data for FY 2008 was converted to new tracking system implemented in 2009 but was not segregated. Arrests have been allocated equally to each fiscal year.

<sup>(6)</sup> Emergency medical calls not responded to by the City were responded to by private rescue services or municipalities under mutual aid agreements.

<sup>(7)</sup> Effective July 1, 2014, the City established a Downtown Parking enterprise fund, to which revenues generated by parking spaces within a defined geographic area that include its two parking garages are designated. Although parking ticket fees are recorded as General Fund revenue, tickets issued have been segregated as either Public Safety or Downtown Parking in order to measure the enforcement activity associated with generating revenue. Tickets issued prior to July 1, 2014 have been restated to reflect the current designation of spaces.

*See accompanying independent auditor's report*

## Operating Information

## Capital Asset Statistics by Department – Last Ten Fiscal Years

Function/Program	Fiscal Year <sup>(1)</sup>									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Education:</b>										
Elementary schools	19	19	19	19	19	19	19	19	19	19
Middle schools	3	3	3	3	3	3	3	3	3	3
High schools	1	1	1	1	1	1	1	1	1	1
<b>Public safety:</b>										
Police stations	4	4	4	4	4	4	4	4	4	4
Uniformed police force <sup>(2)</sup>	255	259	257	261	253	249	253	261	288	284
Police vehicles, marked	69	69	69	63	63	63	61	64	64	n/a
Police vehicles, total fleet	120	122	124	132	132	132	130	133	133	n/a
Fire stations	7	7	7	7	7	7	6	6	7	7
Uniformed firefighting force <sup>(2)</sup>	216	215	222	222	236	236	200	189	227	236
Total fire apparatus	10	10	10	10	10	10	8	8	10	10
Emergency rescues	5	4	4	4	4	4	4	4	4	4
Metered parking spaces <sup>(3)</sup>	214	214	214	214	214	214	214	214	214	214
<b>Public Works:</b>										
City-owned buildings <sup>(4)</sup>	77	77	77	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vehicle fleet <sup>(4)</sup>	389	351	375	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public roadways (miles)	337	336	336	335	335	335	334	334	334	333
Sidewalks (miles)	674	672	672	670	670	670	668	668	668	666
Streetlights	10,664	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trees	9,988	9,573	8,699	8,231	7,581	n/a	n/a	n/a	n/a	n/a
Wastewater pump stations	29	29	29	29	29	29	29	29	29	29
Sewage collection system (miles)	435	434	434	433	433	433	432	432	432	431
<b>Culture &amp; recreation:</b>										
Library volumes	385,754	380,915	409,786	438,439	451,934	486,053	484,574	459,025	420,332	414,031
Library special collections	2,833	2,852	2,991	2,480	1,479	2,469	1,479	1,754	n/a	n/a
Total parks & beaches	37	37	36	35	34	34	n/a	n/a	n/a	n/a
Accessible green space (acres)	830	722	719	628	614	614	n/a	n/a	n/a	n/a
Walking trails (miles)	6.5	4.5	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Buttonwood Park Zoo exhibits	30	24	24	24	24	24	24	24	24	24
Buttonwood Park Zoo animals	1,079	769	556	1,030	1,039	508	225	238	182	214
<b>Water:</b>										
Treatment plant capacity (million gallons per day)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Water distribution system (miles)	308.0	287.0	287.0	287.0	287.0	287.0	286.5	286.5	286.5	286.5
<b>Airport:</b>										
Based Aircraft	107	102	98	138	100	112	107	121	116	111
Runway Length (linear feet)	10,400	10,400	10,400	10,400	10,000	10,000	10,000	10,000	10,000	10,000
<b>Downtown Parking:</b>										
Parking garage capacity (in spaces)	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373
Metered parking spaces <sup>(3)</sup>	879	784	784	784	784	784	784	784	784	784

## Notes to Capital Asset Statistics By Department:

<sup>(1)</sup> All capital asset information was furnished by City departments.

<sup>(2)</sup> Uniformed police and firefighting forces include both filled and vacant positions as of June 30 of each fiscal year.

<sup>(3)</sup> Effective July 1, 2014, the City established a Downtown Parking enterprise fund, to which revenues generated by parking spaces within a defined geographic area that include its two parking garages are designated. Metered parking spaces have been segregated as either governmental or business-type, with spaces prior to July 1, 2014 restated to reflect the current designation.

<sup>(4)</sup> Excludes buildings and vehicles reported under Public Safety.



Item Title:

COMMUNICATION re FY17 Audit (Other Comments and Recommendations Letter)

Item Detail:

2. COMMUNICATION, Council President Morad, submitting a copy of an “Other Comments and Recommendations Letter” from Hague, Sahady & Co., P.C. in connection with the City’s fiscal year 2017 Audit. (To be Referred to the Committee on Audit.) (Ref’d 6/28/18)

Additional Information:

ATTACHMENTS:

Description	Type
 2. COMM re FY17 Audit	Cover Memo

-----Original Message-----

From: Andrew R. Lima <arlima@hague-sahady.com>  
To: newbedfordcitycouncil <[newbedfordcitycouncil@newbedford-ma.gov](mailto:newbedfordcitycouncil@newbedford-ma.gov)>  
Cc: Mary L Sahady <[mlsahady@hague-sahady.com](mailto:mlsahady@hague-sahady.com)>  
Sent: Mon, Jun 18, 2018 3:53 pm  
Subject: CONB - Final "Other Comment and Recommendation Letter" - 2017 Audit

Good Afternoon City Council,

Attached is our "other comment and recommendation letter" in connection with the City's fiscal year 2017 audit.

This letter highlights "deficiencies in internal control" that were not considered a "material weakness" or a "significant deficiency" during our audit, as defined on page one (1) of the attached report.

We communicated a draft report on April 13, 2018 and did receive final edits to any "management responses" today.

Please let us know if you have any questions.

Thanks and have a great day,

**Andrew R. Lima, CGFM**

*Audit Manager*

Hague, Sahady & Co.

126 President Ave., Fall River, MA 02720

Phone: 508-675-7889

[www.hague-sahady.com](http://www.hague-sahady.com)

CGFM Badge - AGA

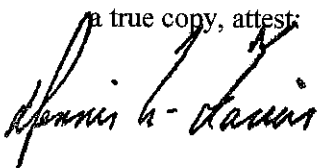
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Referred to the Committee on Audit.

IN CITY COUNCIL, June 28, 2018

Dennis W. Farias, City Clerk

a true copy, attest:



City Clerk

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
**OTHER COMMENTS AND RECOMMENDATIONS LETTER**  
*For the Year Ended June 30, 2017*

**CITY OF NEW BEDFORD, MA**  
*Other Comments and Recommendations Letter*

For the Year Ended June 30, 2017

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To Management, the Honorable Mayor and

Members of the City Council of the City of New Bedford, Massachusetts:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts ("the City") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The City's written response to the matters identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Honorable Mayor and City Council, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We appreciate the opportunity to serve you and we wish to express our gratitude and appreciation to the City's personnel for their courteous and competent assistance during the audit.

*Hague, Sahady & Co., CPAs, P.C.*

Hague, Sahady & Co. CPAs, P.C.

Fall River, MA

April 13, 2018

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations*

For the Year Ended June 30, 2017

**1.) Cash Reconciliation with the General Ledger**

During the audit of the cash accounts, we noted a variance between the adjusted bank balances, as carried by the City Treasurer, and the total general ledger cash balances at June 30, 2017. At June 30, 2017, the adjusted bank balance exceeded the book balance by approximately \$123,383 (after proposed audit adjustments). At June 30, 2016, the adjusted bank balance exceeded the book balance by approximately \$252,691 (after proposed audit adjustments). The \$129,309 change in the overall variance is primarily because of the Housing and Urban Development's (HUD) interception of CDBG funds in September of 2014 that was not reconciled timely by the Treasurer and the Community Development office. This transaction totaled \$130,383 and was discovered and adjusted for during fiscal year 2017. The remainder of the change relates to immaterial variances noted by the treasurer's office when performing monthly reconciliations during fiscal year 2017.

The potential effects of not reconciling cash, on a timely basis, include the following: potential for a modified audit opinion (as opposed to an unmodified or "clean" opinion) should the variance result in a material misstatement in financial statements, potential misrepresentation of balances to the Massachusetts Department of Revenue for the City's free cash submission, reductions of certified free cash due to a subtraction of the cash variance, non-compliance with UMAS Guide regulations, the potential for misstatement of Federal expenditures on the City's Schedule of Expenditures of Federal Awards, and potential misappropriation of assets.

**Recommendation**

We recommend the cash variance continue to be isolated at year-end on the City's ledger. Since it appears that specific ledger accounts can be reconciled to adjusted bank accounts consistently and on a monthly basis, the City should decide if it is appropriate to write off the cash variance now isolated on the ledger. This "credit" to miscellaneous revenue could potentially increase the fiscal year 2018 certified free cash by approximately \$123,383.

**Management's Response**

*By June 30, 2018, the City will have isolated the aggregated variance in cash accounts for two full fiscal years with only immaterial variances occurring, thereby demonstrating that reconciliation procedures implemented three years ago are effective in identifying and correcting all cash variances. It is the City's intent to close out the aggregated cash variance as an increase in General Fund departmental revenue in fiscal year 2018.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**2.) Workers' Compensation Liability**

During a prior fiscal year, the City restated its government-wide financial statements (full accrual accounting basis) to reflect the estimated future liabilities of workers' compensation claims. Since the initial restatement, the City has recorded the change in this liability in its government-wide financial statements. The estimated future liabilities are based on history and injury type. Data to record this adjustment was provided by the City's third party administrator, Cook & Company Insurance Services, Inc. Per our conversation with Cook & Company, "loss runs" are generated and provided to the City's personnel department on a monthly basis.

Currently, the City funds workers' compensation on a pay-as-you go basis from annual appropriations (charged to the "general government unclassified" department in the City's general fund budget) within its modified accrual basis accounting statements. For the fiscal year ended June 30, 2017, the City paid \$146,170 towards workers' compensation claims out of department 199. On the full accrual, government-wide financial statements, the City has recorded an estimated liability at June 30, 2016 of \$6,799,204 and an estimated liability at June 30, 2017 of \$7,821,987. Of the June 30, 2017 estimated amount, approximately \$4.7 million was estimated to account for claims incurred before fiscal year 2012 spanning back as late as fiscal year 1984.

Insurance claim adjusters typically assist in estimating the cost based on examining claims with similar injuries and what they have cost in the past, and/or by the use of statistical methods. Insurers typically require the adjuster to revisit the initial estimate (i.e. "the reserve") and revise it when necessary medical or legal information has been obtained. Accurate reserving of the claim is extremely important to an employer as having too high of reserves could cause an underwriter to use dollar amounts that are too high when calculating future insurance premiums and thus may increase the insurance premiums of the employer. Reserves that are set too low could require unexpected upward adjustments to pay the correct amount when the claim is settled/concluded.

**Recommendation**

We recommend the City contact the workers' compensation division of Cook & Company Insurance Services and inquire as to (1) how often initial claim estimates are adjusted and (2) what steps the City could take to reduce any old claim estimates that are being carried by Cook & Company that have not yet been settled and are not expected/likely to be settled. After this exercise is complete, we recommend the City identify departments associated with individuals in order to split its workers' compensation liability between the governmental activities and the business-type activities for financial reporting purposes.

**Management's Response**

*The City conducts biennial reviews of all outstanding claims with Cook & Company. Further, the City, through Cook & Company, engages in a continuous effort to reevaluate these claims, which includes requiring updated medical opinions, "alive and well" checks, surveillance when warranted, and settlement negotiations when appropriate. Management acknowledges the need to allocate liabilities associated with these claims as either governmental or business-type for financial statement purposes.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**3.) Year End Adjustments**

During the audit, we proposed year-end adjustments to various fund categories which are to be maintained under the modified accrual basis of accounting as required by GASB standards and the *Uniform Massachusetts Accounting System Guide (July 2014 Revision)* (the most recent UMAS Guide revision). For example, the following issues were noted for which we proposed the necessary audit adjustments to correct:

- Bond issuances were not posted to the capital project funds,
- Revenues were not deferred on grants that had no incurred expenditures,
- GASB 24 on-behalf payments from the Massachusetts Teachers Retirement System (MTRS) were not recorded in the general fund (for the financial statement presentation only),
- The veteran's receivable was not accrued properly in the general fund at fiscal year-end, and
- The school lunch fund was missing a receivable for amounts due from the Federal government and the Commonwealth of Massachusetts at fiscal year-end.

During the audit, we also proposed various year-end adjustments to the enterprise funds to modify the basis of accounting from the modified accrual basis as required by UMAS (period 12 in MUNIS) to the full accrual basis for GAAP financial statement purposes (period 13 in MUNIS). For example, the following issues were noted for which we proposed the necessary audit adjustments to correct:

- Adjustments to capital assets and related accumulated depreciation accounts to tie into detailed records
- Adjustments to correctly state long-term debt outstanding and the related accrued interest at fiscal year end
- Adjustments to correct compensated absences, to include the short-term versus long-term portions
- Adjustments to properly reflect other post-employment benefits and the net pension liability at fiscal year end
- Adjustments to deferred revenue accounts that have been earned on the full-accrual basis of accounting

Also, we noted through our audit testing of the City's construction in progress (CIP) and infrastructure in progress (IIP) schedules that amounts were indicated as "placed in service" against these accounts on the detailed Microsoft Excel schedule, thereby reducing those accounts. However, the corresponding depreciable asset account (CIP and IIP are non-depreciable accounts) was not increased for the amount "placed in service". Therefore, those asset accounts were understated. Since the depreciable asset accounts were not increased, depreciation was not calculated and therefore the City's depreciation expense at the Government-Wide financial statement level was understated. These errors were corrected through our revisions of the CIP and IIP Microsoft Excel schedules. We also proposed any necessary audit adjustments to either the governmental activities or the business-type activities to correctly present the non-depreciable and depreciable assets, as well as the related depreciation at fiscal year-end.

Despite the instances noted above, we did note improvement in the year-end close during the fiscal year 2017 audit versus prior audits.

**Recommendation**

We recommend the City record year-end adjustments to fund categories which are required to be maintained under the modified accrual basis of accounting as required by GASB standards and the *Uniform Massachusetts Accounting System Guide*. We also recommend that during period 13 in MUNIS, adjustments be posted to convert the basis of accounting of the enterprise funds to "full-accrual" as required by GAAP/GASB standards.

The recording of year-end adjustments will ensure proper external reporting to financial statement users including regulatory bodies such as Federal and State regulators, financial institutions and the Massachusetts Department of Revenue.

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**3.) Year End Adjustments (Continued)**

**Management's Response**

*Management does not agree with the magnitude or the implied severity of reported findings, nor does it believe there is a causative relationship between those findings and the recommendations. Although accounting promulgations do not specifically define proposed adjustments, the commonly accepted implication is that such entries are the result of deviations discovered through attestation procedures that are conducted through the outside audit. However, in many of the examples provided in this finding, it was Management that presented draft adjustments or provided detailed supporting schedules that resulted in the immediate identification of adjustments required to be recorded. These entries would have been recorded by Management had they been aggregated prior to a cutoff date mutually agreed to by the City and its auditors. Further, Management's presentation of these adjustments directly resulted from compliance with rather than a deviation from established policies of recording transactions on a modified accrual basis throughout the year and making year-end adjustments converting Enterprise Funds to accrual basis. It is therefore inaccurate to imply that the volume of entries resulted from Management's inactivity or a departure from GAAP.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**4.) Student Activity Audits**

During the summer of 2017, we were contracted to perform the agreed-upon procedures as outlined by the guidance set forth by the Massachusetts Department of Elementary and Secondary Education entitled "Agreed Upon Procedures and Audit Guidelines: Student Activity Funds". We were contracted to perform these services for the fiscal year ending June 30, 2016. Through use of the guidance provided by the Massachusetts DESE we tested the policies, procedures, and controls over Student Activity funds at a selection of New Bedford Schools. We issued our report on February 9, 2018. This report included twelve findings and the School department's corrective action plan for each finding.

Per MGL Chapter 71, Section 47 there shall be an annual audit of the student activity funds for each school, which is enforceable by the School Committee only. It is the opinion of the Massachusetts Department of Elementary and Secondary Education ("DESE") that the audit may be performed internally by a responsible and qualified individual who is independent of student activity responsibilities, with the caveat that at least once every three years the procedures should be performed by an outside independent auditor if student activity balances exceed \$25,000. It is also in the DESE's opinion that the schools may be rotated with respect to the outside audit component of this requirement on an annual basis.

Since we performed these agreed-upon procedures of the student activity funds at June 30, 2016, the School Department should have performed and documented the procedures at June 30, 2017. We were not provided with any such documentation of the procedures being performed at June 30, 2017 as of the date of this writing.

**Recommendation**

It is recommended that the School Committee internally perform and document the agreed-upon procedures as outlined by the guidance from the Massachusetts DESE or contract with an outside firm annually to perform such agreed-upon procedures. Either of these options will ensure that the School department is in adherence with the requirements of MGL Chapter 71, Section 47.

**Management's Response**

*As part of its system of internal controls, New Bedford Public Schools established new policies and procedures in order to comply with DESE regulations related to student activity accounts (SAA). Training on the new guidelines was held in January 2018; updates to SAA policies, procedures, and documentation requirements were communicated; and written instructions along with standard forms were issued. Balance limits for SAA will be set by the New Bedford School Committee in a July 2018 meeting, and future limits will be approved annually. The Business Office will also submit a request to close out all inactive accounts and transfer them into a miscellaneous account. The Business Manager will review all accounts annually in June to determine their need in the upcoming school year, and the Business Office will audit of each school's SAA annually. There will be an external audit every third year.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**5.) Internal Controls over Cash Disbursements (Purchase Orders)**

Testing over cash disbursements was conducted during the 2017 audit and identified the following issues:

- During allowable cost testing in the Airport Improvement program single audit, 2 out of 20 selected transactions had purchase orders that were dated after the invoice date and 4 out of the 20 selected transactions had no purchase order at all.
- During cash disbursement testing across all City funds, we noted that in 4 out of 25 instances, purchase orders were dated after the invoice date.

Based on our review of the controls over cash disbursements it appears that the controls could be strengthened.

**Recommendation**

It is recommend that the City review internal control procedures over cash disbursements, specifically the controls over purchase orders, and take appropriate action to strengthen the controls where determined necessary.

**Management's Response**

*Management agrees with this finding and implemented a monitoring system in September 2017 designed to achieve greater compliance through an escalating series of notices to non-compliant departments that could eventually result in suspension of their authority to make purchases on behalf of the City.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**6.) General Fund – Receivables Due from the Harbor Development Commission and the New Bedford Redevelopment Authority**

We noted that the City is carrying receivables due from the Harbor Development Commission (“HDC”) and the New Bedford Redevelopment Authority (“NBRA”) on its general fund balance sheet at June 30, 2017 in the amounts of \$849,885 and \$650,931 (respectively), for a combined total of \$1,500,816. Further details of these balances can be seen in the respective component unit financial statements.

The HDC and NBRA qualify as “component units” of the City under GASB Statement No. 61 guidance and are required to be included within the City’s financial reporting entity. Please refer to Note 1 of the City’s June 30, 2017 Comprehensive Annual Financial Report (CAFR) for more information regarding GASB Statement No. 61 requirements.

The amount due from the HDC last had activity during fiscal year 2017 through a payment of \$50,000 from the HDC. We did note that HDC has made regular payments against its obligation due to the City for a number of years now. During fiscal year 2015 (two periods ago) the HDC owed \$1,124,885.

The amount due from the New Bedford Redevelopment Authority last had activity during fiscal year 2016, specifically on September 23, 2015. On this date, the NBRA voted to settle the claims of the NBRA and related City entities against AVX Corp. for the North Terminal Rail Yard. The City credited the amount due from the NBRA for \$125,000, reducing the amount due from \$775,931 to \$650,931. It should be noted that the NBRA has difficulty generating steady cash flows and as a result has not been able to make regular payments to the City.

We inquired of City management with respect to any developments regarding a plan to collect the amounts due from the HDC and the NBRA. At this time, there appears to be no formal plan in place for repayment. If the City were to elect to write down, or off, either of these receivables, the City Council would need to appropriate the amount through the budget process (similar to an appropriation from free cash under MGL Chapter 59 Section 23).

**Recommendation**

We recommend that City management discuss the amounts due with the HDC and NBRA and develop a written agreement documenting the decision reached.

**Management’s Response**

*The City has an informal agreement with the Harbor District Commission that provides for the repayment of its loan from the City in annual \$50,000 installments with no interest charged or imputed. The first payment under this agreement was received on July 1, 2017. The New Bedford Redevelopment Authority currently lacks sufficient resources to enter into a repayment agreement. However, the possibility of future expansion of its role within the community may generate sufficient revenues to commence repayment, at which time the parties will enter into an appropriate agreement.*



**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**7.) City and School Grant Budgets in MUNIS**

We noted that many of the City and School grant budgets input to MUNIS did not have budgetary appropriations equal to budgetary sources of revenue, whether they be federal, state or local. In some cases, we also noted that budgetary revenue and/or appropriations input to MUNIS did not match the grant award. We also noted that in some cases amendments of the original budget did not match the support attached.

It should be noted that some of these grant awards are Federal awards, and therefore the City is subject to the provisions of Uniform Guidance, specifically Section 200.302 "Financial management". A "budget" as defined by Uniform Guidance means "the financial plan for the project or program that the Federal awarding agency or pass-through entity approves during the Federal award process or in subsequent amendments to the Federal award. It may include the Federal and non-Federal share or only the Federal share, as determined by the Federal awarding agency or pass-through entity." On Federal grants, the City is required per 200.302(b)(5) to have a financial management system that must be able to provide for a "comparison of expenditures with budget amounts for each Federal award."

**Recommendation**

We recommend that the City ensure that "balanced" budgets are input that have budgetary appropriations equal to budgetary sources of revenue. The City is responsible to ensure that grant funding is used correctly and for its intended purpose and that the information can be compared to the actual expenditures for each Federal, state and local award.

**Management's Response**

*Management acknowledges the occurrences of out-of-balance budgets that existed at year-end, most of which predated the implementation of MUNIS. During fiscal year 2017, an initiative was commenced to research each occurrence and take remedial action, which resulted in a decrease to 452 out-of-balance budgets at year-end. The remainder will be resolved over a two-year period, with a 50% reduction expected by June 30, 2018.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**8.) Compensated Absence Testing – Exceptions Noted**

Through our testing of the City's compensated absence records we noted the following exceptions:

- We noted that for 3 individuals tested out of the police department, the longevity pay was calculated incorrectly. We tested a total of 20 transactions, city-wide.
- We also noted that 1 out of the 20 individuals tested had more sick time than could be accrued based on years of service. This individual was part of the EMS records.

**Recommendation**

We recommend that the City implement procedures to consistently perform internal audits over the compensated absence balances.

**Management's Response**

*Management acknowledges the findings. However, the findings were of non-systemic errors in an annual procedure to calculate accrued compensated balances and resulted in an immaterial overstatement of that accrual. None affected accrual balances in MUNIS, which are the basis for leave payments. We believe procedures are in place to calculate this annual accrual without material misstatement.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**9.) Set a Long-Term Goal to Meet the GFOA's Recommended Fund Balance Levels for the General Fund**

The Government Finance Officers Association (GFOA) recommended through their "Best Practices – Fund Balance Guidelines for the General Fund" publication that "at a minimum, general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." The GFOA continues to state that each government should apply this recommendation based on its own particular situation and should "apply these measures within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time."

For the purposes of this analysis, we used overall GAAP fund balance as opposed to budgetary fund balance as (1) the City budgets on a basis consistent with generally accepted accounting principles, as applied to governmental units, and in compliance with State requirements (per "Basis of Budgeting" on page 27 of the FY2018 Adopted Budget), (2) many governments don't show budgetary fund balance in their RSI schedules and therefore we could not obtain this data for comparison, and (3) using the budgetary fund balance in the RSI would not count the size of the City's stabilization fund, which is required per GASB Statement No. 54 to be reported within the general fund, often as a "committed" fund balance, due to the definitions of fund balances in GASB Statement No. 54.

Our firm calculated the GFOA's recommended level of fund balance for the City of New Bedford's general fund as follows (data from the fiscal year 2017 CAFR):

Operating Budget of the General Fund (Final Budget):	\$ 314,749,177
GAAP Fund Balance of the General Fund (includes Stabilization):	\$ 27,978,085
Two Months of Regular GF Operating Expenditures:	\$ 52,458,196
Excess (Deficiency) of GFOA Recommendation:	<u>(\$ 24,480,111)</u>

Our firm also collected data for all Massachusetts municipalities that have populations in excess of 75,000 at the 2010 US Census (the City of New Bedford had a population of approximately 95,000 at that time). Of the thirteen (13) communities above 75,000 in population, only five (5) of the thirteen met the GFOA's recommended level of fund balance for the City's general fund. Three (3) of those five had AAA/Aaa bond ratings based on the data we collected (i.e. the top bond rating that could be earned, "best quality" category). The other two (2) had AA or higher ratings (i.e. the upper tiers of the 2<sup>nd</sup> best category "high quality").

**Recommendation**

We recommend that the City consider amending its "Fund Balance Management" policy effective November 27, 2013 to include long-term goals (i.e. 5-10 years) for fund balance levels in the general fund as recommended by the GFOA. Currently, we noted that the City does have a policy over the desirable funding for the Stabilization fund of "between two (2%) and six (6%) of the General Fund operating budget. The City and School stabilization funds had fund balance totaling \$9,671,585 at June 30, 2017. That level of funding equates to 3.07% of the General Fund final operating budget. We did note that the City did incorporate a "Long Range Financial Plan" in its 2018 budget document, however that plan is rather vague and does not aggressively set goals to increase the ending fund balance in the general fund (which includes the City stabilization funds) over the next five fiscal periods. In a separate comment within this letter, we recommended the City expand upon and further detail its "Long Range Financial Plan".

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**9.) Set a Long-Term Goal to Meet the GFOA's Recommended Fund Balance Levels for the General Fund (continued)**

**Recommendation (continued)**

We would also recommend that the Stabilization fund be invested by the Treasurer in long-term investments such as a combination of equities and bonds that will yield an annual return above 5%. This will prevent older contributions in the stabilization fund from being eroded by inflation over time.

We noted that the "School" portion of the stabilization fund currently invested this way, however the "City" portion was not. As of June 30, 2017, the split of the \$9.6M within stabilization was \$8.3M in "City" stabilization and \$1.3M in "School" stabilization. During fiscal year 2017, the School balance earned nearly as much investment income as the City stabilization balance, despite having \$7.0M less of a balance.

We believe that if the City were to incorporate long-term planning for fund balance levels within the general fund and set goals to increase the fund balance reserves in the long-run, it is likely that the City will continue to maintain, or be upgraded from, its current "AA-" rating from Standard and Poor's (S&P).

**Management's Response**

*Although the City's Fund Balance Management Policy provides only the framework and target ranges for building General and Stabilization Funds fund balances, a long-range financial forecast always accompanies it as an exhibit, particularly within the Official Statements reviewed by rating agencies. This forecast includes specific fund balance targets over the next five years, stated in absolute dollars. Management believes the forecast is an effective augmentation of its policy, sufficient in both its detail and the period over which fund balances are projected.*

*Management will consider the recommendation of a longer-term investment strategy when it considers the trade-off between liquidity and yield as part of the execution of its long-range financial forecast.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**10.) Implementation of GASB Statement No. 75 (Postemployment Benefits Other Than Pensions) During Fiscal Year 2018 and Long-Term Funding Schedule Recommendation for OPEB**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, and establishes new accounting and financial reporting requirements for OPEB plans. Among changes to required notes to the financial statements and required supplementary information, the statement will require the employer to recognize a liability equal to the net OPEB liability on its accrual based financial statements.

The Statement defines "net OPEB liability" as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position (i.e. the value of the OPEB investments).

Had this standard been in place at fiscal year ended June 30, 2017, the City would have an OPEB liability of \$477,150,353 on its government-wide balance sheet (assumed 3.75% discount rate as a result of "pay-as-you-go" contributions), as opposed to the \$181,417,827 accrued on its balance sheet at year end as a result of the current accounting rules (i.e. the definition of "net OPEB obligation" differs between GASB 45 & 75).

If the City were to commit to a funding schedule for its OPEB Trust Fund it is possible the City may benefit from the new "discount rate" assumptions stipulated in GASB Statement No. 75 paragraph 36 and could in turn reduce the OPEB liability presented on its balance sheet. The City should consult with its actuaries further for an analysis of the potential effects.

For more information on OPEB, please see Note 10 to the City's fiscal year 2017 Comprehensive Annual Financial Report (CAFR).

Credit rating agencies have stated that they will consider OPEB funding status in their evaluations of government financial condition. It is possible that bond ratings may suffer for those governments with large and/or mounting liabilities and no plan to pay for these future costs. This may be particularly true as certain governments move forward with OPEB strategies while others do not. The extent to which a local government's OPEB funded status affects its overall credit rating may depend on a number of factors, including the City's current rating and a comprehensive review of the City's finances.

Our firm noted that Standard and Poor's (S&P) recently affirmed the City's 'AA-' underlying rating to the City's general obligation bonds but said in its April 18, 2017 "Ratings Direct" report that *"In our [S&P's] opinion, a credit weakness is New Bedford's large pension and OPEB obligation, without a plan in place that we think will sufficiently address the obligation. However, we recognize the city has taken some steps toward reducing their long-term liabilities...We acknowledge the city recently completed an exhaustive review of its health care program, with the objective of reducing retiree health care costs. In December 2015, the city council voted to establish an OPEB trust fund, which currently has a balance of \$1.1 million. New Bedford has adopted a policy to contribute at least 10% of surplus funds to the trust each year, which they estimate will be \$300,000. The OPEB unfunded actuarial accrued liability is \$485 million. We expect the city's retirement liabilities to remain significant in the short-to-medium term."*

The S&P report continued on to its "Outlook" section noting that *"All else being equal, we could raise the rating if the city demonstrates more comprehensive planning to mitigate its long-term liabilities, coupled with strengthening and sustaining available reserves through positive budgetary performance to levels we consider commensurate with its higher-rated peers."*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**10.) Implementation of GASB Statement No. 75 (Postemployment Benefits Other Than Pensions) During Fiscal Year 2018 and Long-Term Funding Schedule Recommendation for OPEB (continued)**

**Recommendation for GASB Statement No. 75 Implementation**

We recommend the City begin to review the changes in accounting requirements set forth in GASB Statement No. 75, and work with its actuaries to ensure these requirements will be ready to be fulfilled for the *fiscal year 2018 financial statements*. We would also be happy to assist the City with any questions it may have with respect to GASB Statement No. 75 implementation.

**Recommendation for Long-Term Funding Schedule for OPEB**

We also recommend that the City consider annually funding its OPEB trust fund through either a budgetary appropriation, a consistent contribution from certified free cash, or a combination of both. Pre-funding benefits will allow the government to grow assets for which it can use in future budget periods to offset rising healthcare costs and could reduce the total OPEB liability by up to 35%, assuming full-prefunding consistently each year. It will also prove to the rating agencies (ex. S&P, Moody's) that the City does have a plan in place to sufficiently address the obligation. We recommended pre-funding OPEB in the 2013, 2014, 2015 and 2016 management letters.

The Government Finance Officers Association (GFOA) recommends through their "Best Practices – Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)" publication that governments "adopt a funding policy with a targeted funded ratio of 100 percent or more (full funding). The funding policy should provide for a stable amortization period over time, with parameters provided for making changes based on specific circumstances". Other recommendations regarding frequency of actuarial studies, the frequency of employee and employer contributions into the trust, and recommendations for discussion of the funding and amortization methods with the government's actuary are made in this "Best Practices" publication. It is worth noting that neither GASB Statement No. 43/45 or 74/75 require pre-funding of OPEB benefits. Also, there is no MGL that requires a "target funded date" be set, unlike unfunded pension liabilities.

The cost to fully fund the OPEB liability during fiscal year 2017, would have equated to additional cash contributions into the OPEB Trust of \$15,361,480 (the City did contribute \$270,000 during fiscal year 2017). We do realize the City is consistently facing significant budgetary challenges and full pre-funding may not be possible, however, we do recommend the City contribute a lesser amount that it feels would begin to grow the assets in the OPEB trust to help offset rising healthcare costs that continue to outpace inflation. According to the City's 10-year data in its fiscal year 2017 financial statements (page 116-117), health costs rose from \$31,753,513 in 2008 to \$39,767,304 in 2017, a 25.24% increase over the 10 year period.

For example, a funding policy that contributes \$1,000,000 (i.e. the amount the City "intends" to appropriate each fiscal year according to item #11 on the *Investment Agreement* with the State Retiree Benefits Trust dated December 21, 2015) at the *beginning* of each fiscal year into a trust fund with an appropriate asset allocation setup (i.e. a combination of equities and bonds) to achieve a target rate of 8% return, for a 30 year funding period (a total of \$30,000,000 in contributions) would potentially be worth \$122,345,868 at the end of 30 years, assuming the City is pre-funding benefits and does not withdraw from this fund (calculation based on the mathematical formula of the "future value of an annuity due"). Increase the target rate of return to 9% (a 1% increase) and the figure will rise to \$148,757,217, decrease the target rate of return to 7% (a 1% decrease) and the figure will decrease to \$101,073,042. It is worth noting, this method of funding would be considered a non-actuarially calculated method of funding (i.e. does not consider the liability side of the projections). An actuarially calculated method of funding would more closely resemble the cash contribution against the ARC mentioned above (the \$15,361,480).

We would recommend that if the City were to adopt a basic funding schedule such as the \$1,000,000 example above, that it increase its payment each year by the amount of inflation assumed in its actuarial valuation (3.5%).

We would also recommend that the City consider amending its policy titled "Other Post-Employment Benefits Trust Fund" effective November 30, 2016 to include a funding schedule that the City would commit to over a longer time horizon. We would like to recommend that the City consider setting a target date to be fully funded, even if this date is 30 years or more away.

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Other Comments and Recommendations (continued)*

For the Year Ended June 30, 2017

**10.) Implementation of GASB Statement No. 75 (Postemployment Benefits Other Than Pensions) During Fiscal Year 2018 and Long-Term Funding Schedule Recommendation for OPEB (continued)**

**Management's Response**

*Management is aware of the requirements of GASB 75 and will consult with both its actuaries and independent auditors in preparation for its implementation. Related to the recommendation to annually fund its OPEB fund, the City has adopted a policy of designating the equivalent of 10% of its free cash as certified annually by DOR for funding into its OPEB Trust Fund. Additionally, its Fund Balance Management Policy establishes a policy of generating minimum free cash of 1% of its operating budget. We believe this is the current limit of resources that can be designated for OPEB Trust Fund funding and that a formal fixed schedule is not practical at this time.*

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
*Status of Prior Year Comments and Recommendations*

For the Year Ended June 30, 2017

<b><u>Prior Year Comments and Recommendations:</u></b>	<b><u>Status:</u></b>	<b><u>Page Reference:</u></b>
Cash Reconciliation with the General Ledger and Presentation of Cash Accounts on the General Ledger	Modified	2
Workers' Compensation Liability	Modified	3
Deadlines for Audits of the City's Component Units	Removed	N/A
New Bedford Redevelopment Authority Component Unit Audit	Removed	N/A
Implementation of GASB Statement No. 77 (Tax Abatement Disclosures) During Fiscal Year 2017	Removed	N/A
Implementation of GASB Statement No. 75 (Postemployment Benefits Other Than Pensions) During Fiscal Year 2018	Modified	13
Certificate of Achievement for Excellence in Financial Reporting Program (CAFR) Recommendation	Removed	N/A
Highlighted Changes to Non-Federal Entity Responsibilities as a Result of OMB's Uniform Guidance	Removed	N/A





Item Title:

WRITTEN MOTION re the City's Financial Condition

Item Detail:

3. WRITTEN MOTION, Councillors Lima, Lopes and Council President Morad, requesting, now that Free Cash has been Certified, the Audit Committee meet with Mary Sahady and Andrew Lima from Hague, Sahady & Company and CFO Ari Sky to discuss the City's financial condition prior to the Administration's presentation of the 2019 Fiscal Year budget. (Ref'd 2/8/18) (4/12/18-NO QUORUM)

Additional Information:



Item Title:  
Accessibility Statement

Item Detail:

***In accordance with the Americans with Disabilities Act (ADA), if any accommodations are needed, please contact the Clerk of Committees Office at 508-979-1482. Requests should be made as soon as possible but at least 48 hours prior to the scheduled meeting.***

Additional Information: