

**CITY OF FITCHBURG, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2015

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**Additional Offices:**

Nashua, NH  
Manchester, NH  
Andover, MA  
Ellsworth, ME

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

### **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, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 23 to the combined financial statements, in 2014, the Fitchburg Retirement System adopted Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards*

*Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Melanson Heath*

February 10, 2016

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

As management of the City of Fitchburg, we offer readers this narrative overview and analysis of the financial activities of the City of Fitchburg for the fiscal year ended June 30, 2015.

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

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

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

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

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

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

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

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

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

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$11,969,416 (i.e., net position), a change of \$1,651,813 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$24,850,777, a change of \$1,090,592 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,929,359, a change of \$836,387 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$67,166,897, a change of \$4,450,118 in comparison to the prior year.
- At the close of the current fiscal year, the stabilization fund balance (which is combined with the general fund) was \$5,328,114, which represents an increase of \$221,005 in comparison with the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 53,026	\$ 51,242	\$ 15,229	\$ 15,653	\$ 68,255	\$ 66,895
Capital assets	90,698	91,543	114,443	108,698	205,141	200,241
Deferred outflows	327	-	13	-	340	-
Total assets and deferred outflows	144,051	142,785	129,685	124,351	273,736	267,136
Long-term liabilities outstanding	180,548	68,766	58,859	45,299	239,407	114,065
Other liabilities	8,071	7,456	13,669	19,880	21,740	27,336
Deferred inflows	620	341	-	-	620	341
Total liabilities and deferred inflows	189,239	76,563	72,528	65,179	261,767	141,742
Net position:						
Invested in capital assets, net	73,707	71,834	51,447	50,880	125,154	122,714
Restricted	11,463	11,097	-	-	11,463	11,097
Unrestricted	(130,358)	(16,709)	5,710	8,292	(124,648)	(8,417)
Total net position	\$ (45,188)	\$ 66,222	\$ 57,157	\$ 59,172	\$ 11,969	\$ 125,394

## CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,641	\$ 8,005	\$ 16,238	\$ 16,517	\$ 23,879	\$ 24,522
Operating grants and contributions	72,533	76,077	650	514	73,183	76,591
Capital grants and contributions	4,601	2,787	542	-	5,143	2,787
General revenues:						
Property taxes	45,844	43,298	-	-	45,844	43,298
Excises	3,460	3,490	-	-	3,460	3,490
Penalties, interest on taxes	999	934	-	-	999	934
Grants and contributions not restricted to specific programs	9,397	8,494	-	-	9,397	8,494
Investment income	125	233	29	36	154	269
Other	370	318	-	-	370	318
Total revenues	<u>144,970</u>	<u>143,636</u>	<u>17,459</u>	<u>17,067</u>	<u>162,429</u>	<u>160,703</u>
Expenses:						
General government	6,600	6,752	-	-	6,600	6,752
Public safety	14,821	14,623	-	-	14,821	14,623
Education	73,273	81,501	-	-	73,273	81,501
Public works	8,393	7,201	-	-	8,393	7,201
Health and human services	3,849	3,728	-	-	3,849	3,728
Culture and recreation	1,601	1,360	-	-	1,601	1,360
Employee benefits	30,344	31,415	-	-	30,344	31,415
Miscellaneous	751	702	-	-	751	702
Interest	639	787	-	-	639	787
Intergovernmental	5,351	5,199	-	-	5,351	5,199
Water operations	-	-	5,513	5,813	5,513	5,813
Sewer operations	-	-	9,393	8,857	9,393	8,857
Total expenses	<u>145,622</u>	<u>153,268</u>	<u>14,906</u>	<u>14,670</u>	<u>160,528</u>	<u>167,938</u>
Change in net position before transfers	(652)	(9,632)	2,553	2,397	1,901	(7,235)
Transfers, net	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250)</u>	<u>-</u>
Change in net position after transfers	(902)	(9,632)	2,553	2,397	1,651	(7,235)
Net assets - beginning of year, as restated	<u>(44,286)</u>	<u>75,854</u>	<u>54,604</u>	<u>56,775</u>	<u>10,318</u>	<u>132,629</u>
Net assets - end of year	<u>\$ (45,188)</u>	<u>\$ 66,222</u>	<u>\$ 57,157</u>	<u>\$ 59,172</u>	<u>\$ 11,969</u>	<u>\$ 125,394</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$11,969,416, a change of \$1,651,813 from the prior year.

By far the largest portion of net position, \$125,154,716, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$11,463,459, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(130,358,399) in the governmental activities and \$5,709,640 in the business-type activities.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(901,375). Key elements of this change are as follows:

Consolidated General fund operations	\$ 1,712,173
Major fund - CDBG fund revenues in excess of expenditures	172,528
Major fund - City Grants fund expenditures in excess of revenues	(534,379)
Other funds expenditures and transfers out in excess of revenues	(259,730)
Depreciation expense in excess of principal debt service	(1,066,633)
Internal service fund operations	1,508,237
Capital assets purchased with tax levy and grant funds	4,956,894
Capital asset dispositions	(566,748)
Current year amortization of state (MSBA) reimbursements of school building projects, accrued in a prior year	(2,068,210)
Current year accrual of other post-employment benefit liability	(4,645,553)
Current year change in net pension liability, net of deferrals	(323,514)
Other	<u>213,560</u>
Total	<u>\$ (901,375)</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net position of \$2,553,188. Key elements of this change are as follows:

Water enterprise	\$ 220,408
Sewer enterprise	<u>2,332,780</u>
Total	<u>\$ 2,553,188</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$24,850,777, a change of \$1,090,592 in comparison with the prior year. Key elements of this change are as follows:

Consolidated General fund operations	\$ 1,712,173
Major fund - CDBG fund revenues in excess of expenditures	172,528
Major fund - City Grants fund expenditures in excess of revenues	(534,379)
Other funds expenditures and transfers out in excess of revenues	<u>(259,730)</u>
Total	<u>\$ 1,090,592</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,929,359, while total fund balance was \$14,063,985. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total 2015 General Fund Expenditures</u>
Unassigned - general fund	\$ 5,601,245	\$ 4,985,863	\$ 615,382	5.0%
Unassigned - stabilization fund	<u>5,328,114</u>	<u>5,107,109</u>	<u>221,005</u>	<u>4.8%</u>
Total unassigned fund balance	\$ 10,929,359	\$ 10,092,972	\$ 836,387	9.8%
Total fund balance	\$ 14,063,985	\$ 12,351,812	\$ 1,712,173	12.6%

The total fund balance of the general fund increased by \$1,712,173 during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 784,146
Excess of state and local revenues over budget	1,631,141
Budgetary appropriations unspent by departments	1,340,684
Use of free cash (fund balance) and overlay surplus as a funding source/use	(2,840,589)

Timing Differences:

Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in subsequent period	575,786
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Other:

Stabilization fund interest and transfers in	<u>221,005</u>
Total	<u>\$ 1,712,173</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,709,640, a change of \$(2,582,853) in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,282,850. Major reasons for these amendments include:

- \$925,000 increase for snow and ice appropriations.
- \$ 29,600 increase for police department appropriations.
- \$ 41,000 increase for building department appropriations.
- \$ 45,000 increase for legal department appropriations.
- \$101,000 increase in veterans appropriations.
- \$141,250 increase in various other departmental appropriations.

Of this increase, \$20,000 was funded through a transfer from the cemetery perpetual care fund and the rest was funded from surplus (free cash).

## F. CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$205,141,208 (net of accumulated depreciation), an increase of \$4,900,722 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

Depreciation expense - governmental funds	\$ (5,680,098)
Depreciation expense - water fund	(1,877,276)
Depreciation expense - sewer fund	(1,986,082)
Loss on disposition of assets - governmental funds	(566,748)
Loss on disposition of assets - water fund	(24,149)
Various building improvements, including roof replacements at the Library and School and a School generator replacement project	744,778
Machinery and equipment purchases for the Public Works Department, including a backhoe and tractor	260,095
Public safety equipment purchases, including vehicles for the Fire, and Police Departments	544,648
Miscellaneous equipment and library books	125,278
Various park and field improvements	277,050
Streetscape improvements and street construction	3,450,607
Water main improvements / replacements and hydrant replacements	1,081,552
Vehicle purchased in the Water fund	46,768
Sewer infrastructure, including sewer lines and storm drains, which are part of the Combined Sewer Separation and CEPT projects (in process)	8,482,122
Vehicle purchased in the Sewer fund	<u>22,177</u>
	<u>\$ 4,900,722</u>

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$67,166,897, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

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

Mr. Richard Sarasin  
City Auditor  
Fitchburg Municipal Offices  
166 Boulder Drive, Suite 108  
Fitchburg, MA 01420

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 31,436,516	\$ 11,741,369	\$ 43,177,885
Investments	4,363,609	-	4,363,609
Receivables, net of allowance for uncollectibles:			
Property taxes	993,589	-	993,589
Excises	760,185	-	760,185
User fees	-	3,487,359	3,487,359
Departmental and other	293,741	-	293,741
Intergovernmental, net of current portion	3,849,144	-	3,849,144
Loans, net of current portion	751,000	-	751,000
Overpayment of claims	1,087,918	-	1,087,918
Other assets	60,000	-	60,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,548,201	-	1,548,201
Intergovernmental	5,774,838	-	5,774,838
Loans	2,107,304	-	2,107,304
Land and construction in progress	6,386,435	20,149,234	26,535,669
Capital assets, net of accumulated depreciation	<u>84,311,858</u>	<u>94,293,681</u>	<u>178,605,539</u>
<b>TOTAL ASSETS</b>	<b>143,724,338</b>	<b>129,671,643</b>	<b>273,395,981</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>326,972</u>	<u>13,517</u>	<u>340,489</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>144,051,310</b>	<b>129,685,160</b>	<b>273,736,470</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,098,154	1,216,524	3,314,678
Accounts payable	199,127	540,099	739,226
Accrued payroll and withholdings	3,364,358	93,059	3,457,417
Accrued interest payable	-	322,558	322,558
Accrued claims payable	980,274	-	980,274
Notes payable	1,100,000	11,496,797	12,596,797
Other current liabilities	329,653	-	329,653
Current portion of long-term liabilities:			
Bonds payable	4,411,000	4,433,884	8,844,884
Other liabilities	407,664	-	407,664
Noncurrent:			
Bonds payable, net of current portion	11,495,000	46,827,013	58,322,013
Other liabilities, net of current portion	53,075,234	3,002,709	56,077,943
Net pension liability	<u>111,158,710</u>	<u>4,595,440</u>	<u>115,754,150</u>
<b>TOTAL LIABILITIES</b>	<b>188,619,174</b>	<b>72,528,083</b>	<b>261,147,257</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>619,797</u>	<u>-</u>	<u>619,797</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>189,238,971</b>	<b>72,528,083</b>	<b>261,767,054</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	73,707,279	51,447,437	125,154,716
Restricted for:			
Grants and other statutory restrictions	6,927,079	-	6,927,079
Permanent funds:			
Nonexpendable	2,119,495	-	2,119,495
Expendable	2,416,885	-	2,416,885
Unrestricted	<u>(130,358,399)</u>	<u>5,709,640</u>	<u>(124,648,759)</u>
<b>TOTAL NET POSITION</b>	<b>\$ (45,187,661)</b>	<b>\$ 57,157,077</b>	<b>\$ 11,969,416</b>

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



CITY OF FITCHBURG, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Community Development Block Grant</u>	<u>City Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 18,043,813	\$ 427,280	\$ -	\$ 8,749,681	\$ 27,220,774
Investments	-	-	-	4,363,609	4,363,609
Receivables:					
Property taxes	1,101,002	-	-	-	1,101,002
Tax title and demolition liens	6,294,303	-	-	-	6,294,303
Excises	1,242,999	-	-	-	1,242,999
Departmental and other, net of allowance	254,781	-	-	39,169	293,950
Due from other funds	128,675	-	-	-	128,675
Intergovernmental	473,111	598,154	306,077	403,592	1,780,934
Loans, net of allowance for uncollectibles	-	2,584,674	7,972,719	-	10,557,393
Other assets	60,000	-	-	-	60,000
<b>TOTAL ASSETS</b>	<b><u>\$ 27,598,684</u></b>	<b><u>\$ 3,610,108</u></b>	<b><u>\$ 8,278,796</u></b>	<b><u>\$ 13,556,051</u></b>	<b><u>\$ 53,043,639</u></b>
<b>LIABILITIES</b>					
Warrants payable	\$ 1,180,128	\$ 63,132	\$ 615,107	\$ 239,787	\$ 2,098,154
Accounts payable	149,070	-	-	50,057	199,127
Accrued payroll and withholdings	2,827,107	11,603	15,248	510,400	3,364,358
Due to other funds	-	-	128,675	-	128,675
Deposit held in custody	-	-	-	729,438	729,438
Notes payable	-	-	-	1,100,000	1,100,000
Other current liabilities	329,653	-	-	-	329,653
<b>TOTAL LIABILITIES</b>	<b>4,485,958</b>	<b>74,735</b>	<b>759,030</b>	<b>2,629,682</b>	<b>7,949,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>9,048,741</b>	<b>3,182,828</b>	<b>7,972,719</b>	<b>39,169</b>	<b>20,243,457</b>
Fund Balances:					
Nonspendable	-	-	-	2,119,495	2,119,495
Restricted	-	378,819	165,528	9,885,872	10,430,219
Assigned	3,134,626	-	-	-	3,134,626
Unassigned	10,929,359	(26,274)	(618,481)	(1,118,167)	9,166,437
<b>TOTAL FUND BALANCES</b>	<b><u>14,063,985</u></b>	<b><u>352,545</u></b>	<b><u>(452,953)</u></b>	<b><u>10,887,200</u></b>	<b><u>24,850,777</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 27,598,684</u></b>	<b><u>\$ 3,610,108</u></b>	<b><u>\$ 8,278,796</u></b>	<b><u>\$ 13,556,051</u></b>	<b><u>\$ 53,043,639</u></b>

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

CITY OF FITCHBURG, MASSACHUSETTS

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

JUNE 30, 2015

<b>Total Governmental Fund Balances</b>	\$ 24,850,777
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	90,698,293
<ul style="list-style-type: none"> <li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.</li> </ul>	326,972
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection. This accrual also includes future years' State reimbursement of school projects costs.</li> </ul>	14,975,525
<ul style="list-style-type: none"> <li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</li> </ul>	4,064,922
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds and loans payable, compensated absences, capital leases, other post-employment benefits (OPEB) and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>	(179,818,170)
<ul style="list-style-type: none"> <li>• As noted above, bonds payable are not reported in the governmental funds. Accordingly, net deferred gain on early retirement of debt, resulting from advance and current refundings, is also not recorded in governmental funds.</li> </ul>	<u>(285,980)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ (45,187,661)</u></u>

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

CITY OF FITCHBURG, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Community Development Block Grant</u>	<u>City Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 45,794,356	\$ -	\$ -	\$ -	\$ 45,794,356
Excises	3,301,050	-	-	-	3,301,050
Penalties, interest and other taxes	999,279	-	-	-	999,279
Charges for services	4,681,800	-	1,500	1,916,476	6,599,776
Intergovernmental	57,595,147	794,047	5,876,363	13,516,228	77,781,785
Licenses and permits	885,054	-	-	-	885,054
Fines and forfeitures	135,449	-	-	-	135,449
Investment income	71,881	-	-	52,949	124,830
Miscellaneous	7,777	361,762	-	-	369,539
	<u>113,471,793</u>	<u>1,155,809</u>	<u>5,877,863</u>	<u>15,485,653</u>	<u>135,991,118</u>
<b>Total Revenues</b>					
<b>Expenditures:</b>					
Current:					
General government	4,439,051	983,281	718,083	527,236	6,667,651
Public safety	13,290,181	-	790,560	574,378	14,655,119
Education	51,040,443	-	-	12,584,902	63,625,345
Public works	3,923,747	-	3,600,069	1,276,151	8,799,967
Health and human services	3,460,984	-	310,510	60,066	3,831,560
Culture and recreation	1,084,124	-	221,264	453,660	1,759,048
Employee benefits	24,200,621	-	-	-	24,200,621
Miscellaneous	751,430	-	-	-	751,430
Debt service	4,237,130	-	771,756	-	5,008,886
Intergovernmental	5,350,899	-	-	-	5,350,899
	<u>111,778,610</u>	<u>983,281</u>	<u>6,412,242</u>	<u>15,476,393</u>	<u>134,650,526</u>
<b>Total Expenditures</b>					
Excess (deficiency) of revenues over expenditures	1,693,183	172,528	(534,379)	9,260	1,340,592
<b>Other Financing Sources (Uses):</b>					
Transfers in	268,990	-	-	-	268,990
Transfers out	(250,000)	-	-	(268,990)	(518,990)
	<u>18,990</u>	<u>-</u>	<u>-</u>	<u>(268,990)</u>	<u>(250,000)</u>
<b>Total Other Financing Sources (Uses)</b>					
Change in fund balance	1,712,173	172,528	(534,379)	(259,730)	1,090,592
Fund Equity, at Beginning of Year	<u>12,351,812</u>	<u>180,017</u>	<u>81,426</u>	<u>11,146,930</u>	<u>23,760,185</u>
Fund Equity, at End of Year	<u>\$ 14,063,985</u>	<u>\$ 352,545</u>	<u>\$ (452,953)</u>	<u>\$ 10,887,200</u>	<u>\$ 24,850,777</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,090,592</b>														
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases, net of dispositions</td> <td style="text-align: right;">4,390,146</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,680,098)</td> </tr> </table> </li> <li>• Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, loans, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for uncollectible accounts. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(2,152,463)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt (bonds and loans)</td> <td style="text-align: right;">4,298,000</td> </tr> <tr> <td>Amortization of deferred gain / (loss) on early retirement of debt</td> <td style="text-align: right;">71,494</td> </tr> </table> </li> <li>• Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits (OPEB), and net pension liability do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(4,427,283)</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;"><u>1,508,237</u></td> </tr> </table> </li> </ul>	Capital outlay purchases, net of dispositions	4,390,146	Depreciation	(5,680,098)		(2,152,463)	Repayments of debt (bonds and loans)	4,298,000	Amortization of deferred gain / (loss) on early retirement of debt	71,494		(4,427,283)		<u>1,508,237</u>	
Capital outlay purchases, net of dispositions	4,390,146														
Depreciation	(5,680,098)														
	(2,152,463)														
Repayments of debt (bonds and loans)	4,298,000														
Amortization of deferred gain / (loss) on early retirement of debt	71,494														
	(4,427,283)														
	<u>1,508,237</u>														
<b>Changes in Net Position of Governmental Activities</b>	<b>\$ <u>(901,375)</u></b>														

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

CITY OF FITCHBURG, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 45,010,210	\$ 45,010,210	\$ 45,010,210	\$ -
Excises	3,071,992	3,071,992	3,301,050	229,058
Penalties, interest and other taxes	770,000	770,000	999,279	229,279
Charges for services	4,158,790	4,158,790	4,681,800	523,010
Intergovernmental	57,196,209	57,196,209	57,595,147	398,938
Licenses and permits	639,300	639,300	885,054	245,754
Fines and forfeitures	144,000	144,000	135,449	(8,551)
Investment income	45,000	45,000	50,876	5,876
Miscellaneous	-	-	7,777	7,777
Transfers in	248,990	268,990	268,990	-
Other sources	1,877,739	3,140,589	3,140,589	-
<b>Total Revenues and Other Sources</b>	<b>113,162,230</b>	<b>114,445,080</b>	<b>116,076,221</b>	<b>1,631,141</b>
<b>Expenditures and Other Uses:</b>				
General government	4,825,153	4,916,770	4,635,899	280,871
Public safety	13,677,439	13,722,380	13,606,378	116,002
Education	51,243,609	51,243,609	51,242,967	642
Public works	2,853,830	3,883,447	3,840,155	43,292
Health and human services	3,373,588	3,476,163	3,380,215	95,948
Culture and recreation	1,112,346	1,126,446	1,087,449	38,997
Employee benefits	24,683,000	24,683,000	24,232,220	450,780
Miscellaneous	761,400	761,400	741,084	20,316
Debt service	4,385,000	4,385,000	4,237,130	147,870
Intergovernmental	5,496,865	5,496,865	5,350,899	145,966
Transfers out	450,000	450,000	450,000	-
Other use	300,000	300,000	300,000	-
<b>Total Expenditures and Other Uses</b>	<b>113,162,230</b>	<b>114,445,080</b>	<b>113,104,396</b>	<b>1,340,684</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,971,825	\$ 2,971,825

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

CITY OF FITCHBURG, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 2,110,362	\$ 9,631,007	\$ 11,741,369	\$ 4,215,742
User fees, net of allowance for uncollectibles	1,196,878	2,290,481	3,487,359	-
Overpayment of claims	-	-	-	1,087,918
Total current assets	3,307,240	11,921,488	15,228,728	5,303,660
Noncurrent:				
Land and construction in progress	1,323,081	18,826,153	20,149,234	-
Capital assets, net of accumulated depreciation	45,672,175	48,621,506	94,293,681	-
Total noncurrent assets	46,995,256	67,447,659	114,442,915	-
<b>TOTAL ASSETS</b>	50,302,496	79,369,147	129,671,643	5,303,660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	5,141	8,376	13,517	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	50,307,637	79,377,523	129,685,160	5,303,660
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	250,759	965,765	1,216,524	-
Accounts payable	72,081	468,018	540,099	-
Accrued payroll	35,560	57,499	93,059	-
Deferred revenue	-	-	-	258,464
Accrued interest payable	89,261	233,297	322,558	-
Accrued claims payable	-	-	-	980,274
Notes payable	-	11,496,797	11,496,797	-
Current portion of long-term liabilities:				
Bonds payable	1,987,528	2,446,356	4,433,884	-
Total current liabilities	2,435,189	15,667,732	18,102,921	1,238,738
Noncurrent:				
Bonds payable, net of current portion	15,540,284	31,286,729	46,827,013	-
Other liabilities	1,375,791	1,626,918	3,002,709	-
Net pension liability	1,747,888	2,847,552	4,595,440	-
Total noncurrent liabilities	18,663,963	35,761,199	54,425,162	-
<b>TOTAL LIABILITIES</b>	21,099,152	51,428,931	72,528,083	1,238,738
<b><u>NET POSITION</u></b>				
Invested in capital assets, net of related debt	30,102,753	21,344,684	51,447,437	-
Unrestricted	(894,268)	6,603,908	5,709,640	4,064,922
<b>TOTAL NET POSITION</b>	\$ 29,208,485	\$ 27,948,592	\$ 57,157,077	\$ 4,064,922

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

CITY OF FITCHBURG, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 5,115,618	\$ 11,122,255	\$ 16,237,873	\$ -
Employee contributions	-	-	-	5,342,101
Employer contributions	-	-	-	12,875,730
	5,115,618	11,122,255	16,237,873	18,217,831
<b>Total Operating Revenues</b>				
	5,115,618	11,122,255	16,237,873	18,217,831
<b>Operating Expenses:</b>				
Salary and wages	1,318,654	2,127,411	3,446,065	-
Operating expenses	1,217,559	2,830,914	4,048,473	-
Depreciation	1,877,276	1,986,082	3,863,358	-
Administrative assessments	836,265	1,080,844	1,917,109	-
Employee benefits	-	-	-	16,709,594
Other	24,352	505,541	529,893	-
	5,274,106	8,530,792	13,804,898	16,709,594
<b>Total Operating Expenses</b>				
	5,274,106	8,530,792	13,804,898	16,709,594
<b>Operating Income (Loss)</b>	(158,488)	2,591,463	2,432,975	1,508,237
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenue	614,606	577,587	1,192,193	-
Investment income	3,240	26,145	29,385	-
Interest expense	(238,950)	(862,415)	(1,101,365)	-
	378,896	(258,683)	120,213	-
<b>Total Nonoperating Revenues (Expenses), Net</b>				
	378,896	(258,683)	120,213	-
<b>Change in Net Position</b>	220,408	2,332,780	2,553,188	1,508,237
<b>Net Position at Beginning of Year, as restated</b>	28,988,077	25,615,812	54,603,889	2,556,685
<b>Net Position at End of Year</b>	\$ 29,208,485	\$ 27,948,592	\$ 57,157,077	\$ 4,064,922

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

CITY OF FITCHBURG, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 5,138,424	\$ 11,248,208	\$ 16,386,632	\$ -
Payments to vendors and employees	(3,415,694)	(6,623,865)	(10,039,559)	-
Receipts from employees and employer	-	-	-	18,202,687
Payments of employee benefits and expenses	-	-	-	(17,806,193)
Net Cash Provided By Operating Activities	1,722,730	4,624,343	6,347,073	396,494
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Receipts from governments	225,922	541,675	767,597	-
Proceeds of notes and governmental loans	-	23,720,638	23,720,638	-
Acquisition and construction of capital assets	(1,104,173)	(8,504,296)	(9,608,469)	-
Principal payments on bonds and notes	(1,555,184)	(18,974,849)	(20,530,033)	-
Interest expense paid	(250,129)	(751,864)	(1,001,993)	-
Net Cash (Used For) Capital and Related Financing Activities	(2,683,564)	(3,968,696)	(6,652,260)	-
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	3,240	26,145	29,385	-
Net Cash Provided by Investing Activities	3,240	26,145	29,385	-
Net Change in Cash and Short-Term Investments	(957,594)	681,792	(275,802)	396,494
Cash and Short Term Investments, Beginning of Year	3,067,956	8,949,215	12,017,171	3,819,248
Cash and Short Term Investments, End of Year	\$ 2,110,362	\$ 9,631,007	\$ 11,741,369	\$ 4,215,742
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ (158,488)	\$ 2,591,463	\$ 2,432,975	\$ 1,508,237
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,877,276	1,986,082	3,863,358	-
Changes in assets and liabilities:				
User fee receivables	22,806	125,953	148,759	-
Overpayment of claims	-	-	-	(1,087,918)
Deferred outflows	(5,141)	(8,376)	(13,517)	-
Warrants and other payables	(99,271)	(233,148)	(332,419)	-
Accrued / other liabilities	75,320	145,706	221,026	(23,825)
Net pension liability	10,228	16,663	26,891	-
Net Cash Provided By Operating Activities	\$ 1,722,730	\$ 4,624,343	\$ 6,347,073	\$ 396,494

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

CITY OF FITCHBURG, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	<u>OPEB Trust Fund</u>	<u>Pension Trust Fund (As of December 31, 2014)</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 250,000	\$ 1,682,241
Investments	-	98,498,339
Accounts receivable	<u>-</u>	<u>109,351</u>
Total Assets	250,000	100,289,931
<b><u>LIABILITIES AND NET POSITION</u></b>		
Accounts payable	<u>-</u>	<u>6,726</u>
Total Liabilities	<u>-</u>	<u>6,726</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	<u>\$ 250,000</u>	<u>\$ 100,283,205</u>

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

CITY OF FITCHBURG, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>OPEB Trust Fund</u>	<u>Pension Trust Fund (For the Year Ended December 31, 2014)</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ -	\$ 9,481,269
Other systems and Commonwealth of Massachusetts	-	332,046
Plan members	-	3,202,890
Total contributions	-	13,016,205
Investment Income:		
Interest and dividends	-	2,809,388
Gain on sale of investments	-	3,968,187
Increase in fair value of investments	-	792,816
Less: management fees	-	(528,101)
Net investment income	-	7,042,290
Transfer in	250,000	-
Total additions	250,000	20,058,495
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	-	14,153,585
Refunds to plan members and other systems	-	440,673
Administrative expenses	-	180,674
Total deductions	-	14,774,932
Net increase	250,000	5,283,563
<b>Net assets:</b>		
Beginning of year, as restated	-	94,999,642
End of year	\$ 250,000	\$ 100,283,205

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

## City of Fitchburg, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB-39 criteria of component units, other than as noted below.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Fitchburg Contributory Retirement System, which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at Fitchburg Municipal Offices, 166 Boulder Drive, Suite 108, Fitchburg, MA 01420.

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

###### Government-Wide Financial Statements

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

separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

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

#### Government-Wide Financial Statements

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

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

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of*

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

The City reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Development Block Grant* is used to account for grant and program income resulting from one of the City's Federal Housing and Urban Development Agency grants.
- The *City Grants Fund* is used to account for the City's non-education related federal and state grants.

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

The City reports the following major proprietary funds:

- Water fund
- Sewer fund

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

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

*D. Cash and Short-Term Investments*

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

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

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

*E. Investments*

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

Investments for the Contributory Retirement System and trust funds consist of Federal agency securities, corporate bonds, equity securities, mutual funds, and the State investment fund. Investments are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$19,816.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	40
Infrastructure	40 - 50
Machinery and equipment	5 - 15
Office equipment and furniture	5 - 20
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obliga-

tions are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

*J. Fund Equity*

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

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

The City’s fund balance classification policies and procedures are as follows:

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation,

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

*K. Use of Estimates*

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

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions.

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

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 113,471,793	\$ 111,778,610
Other financing sources/uses (GAAP basis)	268,990	250,000
To reverse the effect of including stabilization fund in general fund activity	(21,005)	200,000
Adjust tax revenue to accrual basis	(784,146)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,558,840)
Add end of year appropriation carryforwards to expenditures	-	2,134,626
Recognize fund balance and overlay surplus as funding source	3,140,589	-
Other use	-	300,000
Budgetary basis	<u>\$ 116,076,221</u>	<u>\$ 113,104,396</u>

*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2015:

City Grants Major Fund:	
Police 911 Support Grant	\$ (70,454)
Unitil Street Light	(274,914)
Our Town - Main Street Art	(42,667)
FEMA Snow Emergency	(135,000)
Steam Plant Demolition	(59,000)
MEMA drainage Columbia Ave	<u>(36,446)</u>
Total City Grants Fund	(618,481)
Community Development Block Grant Major Fund	(26,274)
Non Major Funds:	
Airport fund	(43,240)
Departmental equipment capital project fund	<u>(1,074,927)</u>
Total Non Major Funds	<u>(1,118,167)</u>
Total All Funds	<u>\$ (1,762,922)</u>

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City's policy to limit custodial credit risk consists of complying with applicable Massachusetts General Laws and obtaining collateralization agreements for any amounts in excess of FDIC or DIFM.

As of June 30, 2015, \$672,317 of the City's bank balance of \$42,827,976 was exposed to custodial credit risk as uninsured, uncollateralized money market funds held by pledging bank's trust department not in the City's name. The City's total bank balance includes \$1,737,644 of overnight repurchase agreements that are secured by an underlying interest in the purchased securities, all of which are direct obligations of or guaranteed by the U.S. Government.

As of December 31, 2014, none of the Retirement System's bank balance of \$1,796,643 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Retirement System's name.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues (which excludes investments purchased with Library funds), Massachusetts General Law, Chapter 44, Section 55 and the City's investment policy limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs) Additionally, the City's investment policy limits the amount invested in any single financial institution (other than U.S. Treasury or State pooled funds) to 10%. The Library's investment policy requires they invest in a prudent manner, achieving growth and income through quality investments with minimal risk; all bonds should have a rating of BBB- or better.

Presented below (in thousands) is the actual rating as of June 30, 2015 for each investment of the City:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>AA+/AA-</u>	<u>A / A-</u>	<u>BBB/ BBB-</u>	<u>not rated</u>
Federal agency securities	\$ 2,703	\$ -	\$ 2,703	\$ -	\$ -	\$ -
Equity securities	566	566	-	-	-	-
Corporate bonds	906	-	144	589	163	10
Mutual funds	188	188	-	-	-	-
Total investments	<u>\$ 4,363</u>	<u>\$ 754</u>	<u>\$ 2,847</u>	<u>\$ 589</u>	<u>\$ 163</u>	<u>\$ 10</u>

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

Presented below is the composition of the Fitchburg Retirement System investments as of December 31, 2014 (in thousands), none of which are subject to credit risk disclosure:

<u>Investment Type</u>	<u>Fair Value</u>
PRIT *	\$ 96,679
TA Associates Realty (equity investments)	<u>1,819</u>
Total investments	<u>\$ 98,498</u>

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

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's policy manages custodial credit risk by the diversification and prudent selection of investment instruments and choice of depository. The Library's investment policy to limit custodial credit risk is to keep a diversified portfolio, with specified ranges of asset allocation between cash equivalents (0% - 25%), fixed income (25% - 75%) and stocks (25% - 50%). The Retirement System does not have a policy for custodial credit risk.

Of the total City investments of \$4,363,609, (which include Library funds) the City has a custodial credit risk exposure of \$2,812,099 because the related securities are uninsured, unregistered and/or held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the City's name.

All of the Retirement System's investments are in either an equity investment fund or state pension investment trust fund, neither of which is exposed to custodial credit risk.

**C. Concentration of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer. The City does not have an investment in any one issuer (other than U.S. Treasuries) greater than 5% or more of total investments.

The Library limits investment in any one company to no more than 15% of the total stock portfolio and no one industry can represent more than 30% of total equity holdings.

The Retirement System does not have an investment in one issuer (other than PRIT) greater than 5% of total investments.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy manages interest rate risk by the diversification and prudent selection of investment instruments and choice of depository. The Library's policy limits interest rate risk by requiring fixed income investments (bonds) to have an average maturity of 7 years or less. The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments (including Library funds) to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Federal agency securities	\$ 2,703	\$ -	\$ 227	\$ 1,610	\$ 866	\$ -
Equity securities	566	566	-	-	-	-
Corporate bonds	906	-	131	419	346	10
Mutual funds	188	188	-	-	-	-
Total investments	<u>\$ 4,363</u>	<u>\$ 754</u>	<u>\$ 358</u>	<u>\$ 2,029</u>	<u>\$ 1,212</u>	<u>\$ 10</u>

None of the Retirement System's investments are subject to market interest rate fluctuations.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. None of the City's investment policies address foreign currency risk specifically; however, Massachusetts General Laws prohibit foreign investment.

**5. Taxes Receivable**

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

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

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 852	
2014 and prior	36	
	<u>          </u>	888
Personal Property		
2015	47	
2014	34	
2013	19	
Prior	71	
	<u>          </u>	171
Deferred Taxes		<u>42</u>
Total	\$ 1,101	<u>          </u>

**6. Allowance for Doubtful Accounts**

The departmental (parking ticket and airport) receivable balances reported in the accompanying governmental funds balance sheet are presented net of allowances for uncollectibles of \$565,925 and \$112,476, respectively. In addition, the receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 107	\$ -
Tax title and demolition liens	4,746	-
Excises	483	-
Water charges	-	274
Sewer charges	-	486

## **7. Intergovernmental Receivables**

The balance reported in the accompanying governmental funds balance sheet represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015 and are expected to be reimbursed in fiscal year 2016.

The balance reported in the governmental activities statement of net position includes an additional amount (\$2,068,210 current and \$5,774,838 non-current) that represents future school building project cost reimbursements. This receivable will be paid to the City by the Massachusetts School Building Authority in annual installments of approximately \$2 million through fiscal year 2019.

## **8. Loans Receivable**

The loan receivable balance represents loans issued to individuals for home improvement and mortgage financing, one loan to a Community Development Corporation located in Fitchburg to renovate a building for use as housing for pregnant teenagers and a loan to the Fitchburg Redevelopment Authority described below. The loans were issued through the City's Community Development Block Grant and HOME Grant programs.

In October 2004, the City executed a loan to the Fitchburg Redevelopment Authority (FRA) for \$6,000,000. The note coincides with a City loan received in June 2004 through the U.S. Department of Housing and Urban Development, Section 108 program. The note with the FRA is collateralized with a mortgage and assignment of lease/rental and other income on property known as Putnam Place Business and Industrial Center. The note carries an interest rate of 4.5 percent and is scheduled to mature in July 2015.

Loan balances as of June 30, 2015 consist of the following:

	Total Loan <u>Balance</u>	Less Current <u>Portion</u>	Less Allowance <u>for Uncollect.</u>	Equals Long-term <u>Portion</u>
CDBG - consumer loans	\$ 33,606	\$ -	\$ -	\$ 33,606
CDBG - mortgage/financing loans	1,022,084	-	(204,416)	817,668
CDBG - deferred payment loans	777,984	-	(777,984)	-
CDBG - HUD 108 loan to FRA	751,000	(751,000)	-	-
HOME - mortgage/financing loans	1,570,038	-	(314,008)	1,256,030
Other City grants - deferred payment loans	<u>6,402,681</u>	<u>-</u>	<u>(6,402,681)</u>	<u>-</u>
Total	<u>\$ 10,557,393</u>	<u>\$ (751,000)</u>	<u>\$ (7,699,089)</u>	<u>\$ 2,107,304</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Convert <u>CIP</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>					
Capital assets, being depreciated:					
Land improvements	\$ 13,360	\$ -	\$ -	\$ 283	\$ 13,643
Buildings and improvements	82,653	134	-	346	83,133
Machinery, equipment, and furnishings	18,506	930	(159)	431	19,708
Infrastructure	<u>75,003</u>	<u>1,466</u>	<u>(964)</u>	<u>-</u>	<u>75,505</u>
Total capital assets, being depreciated	189,522	2,530	(1,123)	1,060	191,989
Less accumulated depreciation for:					
Land improvements	(4,510)	(360)	-	-	(4,870)
Buildings and improvements	(38,048)	(2,265)	-	-	(40,313)
Machinery, equipment, and furnishings	(13,457)	(1,176)	159	-	(14,474)
Infrastructure	<u>(46,576)</u>	<u>(1,879)</u>	<u>434</u>	<u>-</u>	<u>(48,021)</u>
Total accumulated depreciation	<u>(102,591)</u>	<u>(5,680)</u>	<u>593</u>	<u>-</u>	<u>(107,678)</u>
Total capital assets, being depreciated, net	86,931	(3,150)	(530)	1,060	84,311
Capital assets, not being depreciated:					
Land	4,018	-	(36)	-	3,982
Construction in progress (CIP)	<u>594</u>	<u>2,872</u>	<u>(1)</u>	<u>(1,060)</u>	<u>2,405</u>
Total capital assets, not being depreciated	<u>4,612</u>	<u>2,872</u>	<u>(37)</u>	<u>(1,060)</u>	<u>6,387</u>
Governmental activities capital assets, net	<u>\$ 91,543</u>	<u>\$ (278)</u>	<u>\$ (567)</u>	<u>\$ -</u>	<u>\$ 90,698</u>

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 99,161	\$ -	\$ (85)	\$ 10,365	\$ 109,441
Machinery, equipment, and furnishings	7,565	69	(19)	198	7,813
Infrastructure	45,141	1,230	(16)	299	46,654
Total capital assets, being depreciated	151,867	1,299	(120)	10,862	163,908
Less accumulated depreciation for:					
Buildings and improvements	(46,185)	(2,761)	64	-	(48,882)
Machinery, equipment, and furnishings	(2,961)	(476)	19	-	(3,418)
Infrastructure	(16,700)	(627)	13	-	(17,314)
Total accumulated depreciation	(65,846)	(3,864)	96	-	(69,614)
Total capital assets, being depreciated, net	86,021	(2,565)	(24)	10,862	94,294
Capital assets, not being depreciated:					
Land	1,535	-	-	-	1,535
Construction in progress (CIP)	21,142	8,334	-	(10,862)	18,614
Total capital assets, not being depreciated	22,677	8,334	-	(10,862)	20,149
Business-type activities capital assets, net	\$ 108,698	\$ 5,769	\$ (24)	\$ -	\$ 114,443

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

Governmental Activities:	
General government	\$ 87
Public safety	739
Education	1,813
Public works	2,330
Human services	303
Culture and recreation	408
Total depreciation expense - governmental activities	\$ 5,680
Business-Type Activities:	
Water	\$ 1,878
Sewer	1,986
Total depreciation expense - business-type activities	\$ 3,864

## 10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015 (in thousands):

	Entity-wide Basis	
	Governmental Activities	Business-type Activities
Net difference between projected and actual pension investment earnings	\$ 327	\$ 13

## 11. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represent additional 2015 expenditures paid after July 15, 2015.

## 12. Notes Payable

The City had the following notes outstanding at June 30, 2015:

	Interest Rate(s) %	Date of Issue	Date of Maturity	Balance at June 30, 2015
MWPAT interim loan # 13-01	0.11	12/01/13	TBD	\$ 8,796,797
Bond anticipation	1.00	06/26/15	06/24/16	2,800,000
Bond anticipation	0.50	06/26/15	06/24/16	1,000,000
				<u>\$ 12,596,797</u>

The following summarizes activity in notes payable during fiscal year 2015:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
MWPAT interim loan proceeds	\$ 14,778,906	\$ 7,201,433	\$ (13,183,542)	\$ 8,796,797
Bond anticipation	3,800,000	3,800,000	(3,800,000)	3,800,000
State grant anticipation	300,000	-	(300,000)	-
Total	<u>\$ 18,878,906</u>	<u>\$ 11,001,433</u>	<u>\$ (17,283,542)</u>	<u>\$ 12,596,797</u>

## 13. Long-Term Debt

### A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
<u>Governmental Activities:</u>			
Section 108 Loan (through U.S. HUD)	08/01/15	4.5	\$ 751,000
Multi-purpose (2008)	06/01/16	3.5 - 5.5	125,000
Multi-purpose (2006 refunding)	11/15/18	3.0 - 4.0	1,620,000
Multi-purpose - refunding (2012)	12/01/18	2.0 - 4.0	10,720,000
Multi-purpose (2011)	06/15/21	3.0 - 4.0	775,000
Multi-purpose (2013)	06/15/23	3.0 - 3.5	1,915,000
Total Governmental Activities			<u>\$ 15,906,000</u>
<u>Business-Type Activities:</u>			
<u>Water Fund:</u>			
Water treatment (MWPAT 99-06)	08/01/20	1.0 - 2.0	\$ 4,440,000
Water treatment (MWPAT 00-10)	08/01/20	1.0 - 2.0	2,405,000
General obligation 2011 - water portion	06/15/21	3.0 - 4.0	600,000
Water treatment (MWPAT 00-10A)	08/01/24	1.0 - 2.0	3,370,000
Water treatment (MWPAT 01-16)	07/15/25	-	5,142,812
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	1,570,000
Total Water Fund			<u>17,527,812</u>
<u>Sewer Fund:</u>			
2006 refunding - sewer portion	11/15/15	3.0 - 4.0	285,000
Sewer inflow (MWPAT 97-30)	08/01/18	1.0 - 2.0	600,600
General obligation 2004 - sewer portion	03/15/19	2.5 - 5.0	580,000
Sewer inflow (MWPAT 03-12)	08/01/24	2	380,000
Sewer (MWPAT 03-12A)	07/15/25	2	3,742,220
Sewer (MWPAT 03-12B)	07/15/26	2	1,054,554
Multi-purpose 2008 - sewer portion	06/01/28	3.5 - 5.5	4,550,000
Sewer (MWPAT 08-03)	07/15/28	2	5,429,803
Sewer (MWPAT 08-03A)	07/15/30	2	811,740
Sewer (MWPAT 03-12C)	07/15/30	2	269,963
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	1,600,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,710,000
Sewer (MWPAT 12-01)	07/15/35	2	5,575,799
Sewer (MWPAT 12-02)	07/15/35	2	7,143,406
Total Sewer Fund			<u>33,733,085</u>
Total Business-Type Activities			<u>\$ 51,260,897</u>

### **B. State Revolving Loan**

The U.S. Environmental Protection Agency sponsors a low-interest rate loan program. The loans are administered by the Massachusetts Clean Water Trust (MCWT) and are used by local communities to improve their sewer and water systems.

The City's loan authorizations and status are as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Issued</u>
Sewer inflow project (#97-30)	\$ 2,437,500	\$ 2,437,500
Water treatment facility (#99-06)	11,959,500	11,959,500
Water treatment facility (#00-10)	12,712,000	6,471,885
Water treatment facility (#00-10A)	5,804,788	5,804,788
Water treatment facility (#01-16)*	11,903,000	9,605,810
Sewer inflow project (#03-12)	640,716	640,716
Sewer project (#03-12A)	6,221,670	6,221,670
Sewer project (#08-03)	9,650,000	8,525,439
Sewer project (#03-12C)	325,000	325,000
Sewer project (#12-01)	5,575,799	5,575,799
Sewer project (#12-02)	7,143,406	7,143,406

In addition to offering these loans at a reduced interest rate, MWPAT has also subsidized certain loan's principal as follows:

	<u>Original Loan</u>	<u>Principal Subsidy</u>	<u>Net Repayments</u>	<u>Balance June 30, 2015</u>
Loan #97-30	\$ 2,437,500	\$ (513,780)	\$ 1,923,720	\$ 600,600
Loan #99-06	11,959,500	(3,177,704)	8,781,796	4,440,000
Loan #00-10	6,471,885	(1,718,182)	4,753,703	2,405,000
Loan #00-10A	5,804,788	(1,350,381)	4,454,407	3,370,000
Loan #12-01	5,813,257	(237,458)	5,575,799	5,575,799
Loan #12-02	7,447,624	(304,218)	7,143,406	7,143,406
Total	\$ <u>39,934,554</u>	\$ <u>(7,301,723)</u>	\$ <u>32,632,831</u>	\$ <u>23,534,805</u>

### C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,411,000	\$ 526,948	\$ 4,937,948
2017	3,335,000	378,502	3,713,502
2018	3,455,000	247,602	3,702,602
2019	3,555,000	112,200	3,667,200
2020	345,000	36,602	381,602
2021 - 2025	<u>805,000</u>	<u>46,042</u>	<u>851,042</u>
Total	\$ <u>15,906,000</u>	\$ <u>1,347,896</u>	\$ <u>17,253,896</u>
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,433,884	\$ 1,030,526	\$ 5,464,410
2017	4,230,276	925,619	5,155,895
2018	4,317,130	829,607	5,146,737
2019	4,404,659	741,836	5,146,495
2020	4,181,672	656,916	4,838,588
2021 - 2025	16,370,448	2,361,665	18,732,113
2026 - 2030	8,895,361	1,028,579	9,923,940
2031 - 2035	<u>4,427,467</u>	<u>222,229</u>	<u>4,649,696</u>
Total	\$ <u>51,260,897</u>	\$ <u>7,796,977</u>	\$ <u>59,057,874</u>

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

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Balance July 1, 2014 (Restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Long-Term Portion June 30, 2015
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 20,204	\$ -	\$ (4,298)	\$ 15,906	(4,411)	11,495
Other:						
Loan payable	1,292	-	(315)	977	(315)	662
Accrued employee benefits	3,132	36	-	3,168	-	3,168
Capital lease liability	-	1,175	(263)	912	(93)	819
Other post-employment benefits	43,780	4,646	-	48,426	-	48,426
Net pension liability	<u>110,508</u>	<u>651</u>	<u>-</u>	<u>111,159</u>	<u>-</u>	<u>111,159</u>
Totals	<u>\$ 178,916</u>	<u>\$ 6,508</u>	<u>\$ (4,876)</u>	<u>\$ 180,548</u>	<u>\$ (4,819)</u>	<u>\$ 175,729</u>
	Balance July 1, 2014 (Restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Long-Term Portion June 30, 2015
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 42,513	\$ 12,719	\$ (3,971)	\$ 51,261	\$ (4,434)	\$ 46,827
Other:						
Accrued employee benefits	434	-	(47)	387	-	387
Other post-employment benefits	2,352	264	-	2,616	-	2,616
Net pension liability	<u>4,568</u>	<u>27</u>	<u>-</u>	<u>4,595</u>	<u>-</u>	<u>4,595</u>
Totals	<u>\$ 49,867</u>	<u>\$ 13,010</u>	<u>\$ (4,018)</u>	<u>\$ 58,859</u>	<u>\$ (4,434)</u>	<u>\$ 54,425</u>

**14. Loan Payable**

In fiscal year 2013, the City obtained approximately 27,000 trash/recycling carts through their waste removal contractor. These carts were distributed to residential and commercial customers by the contractor but they are owned by the City. The City will fund the purchase of these carts by making predetermined, interest-free payments to the waste removal contractor, over a six year period beginning in fiscal year 2013. The total cost of the carts / initial loan amount was \$1,856,969 and the City made its first payment of \$283,500 in fiscal year 2013. The total balance due to the contractor at June 30, 2015 was \$976,354, (\$314,322 current and \$662,032 non-current).

**15. Capital Lease**

In November 2014 the City signed a lease-purchase agreement for approximately 3,000 street light fixtures for a total cost of \$1,175,000. Construction began on this project in fiscal year 2015 and will be complete in fiscal year 2016. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2015:

2016	\$	104,122
2017		104,122
2018		104,122
2019		104,122
2020		104,122
2021-2025		<u>520,610</u>
Total minimum lease payments		1,041,220
Less amounts representing interest		<u>(128,789)</u>
Present Value of Minimum Lease Payments	\$	<u><u>912,431</u></u>

**16. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The deferred inflow of resources balance as of June 30, 2015 consists of un-earned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred inflows account is equal to the total of all June 30, 2015 receivable balances, less property tax collected within 60 days of year-end.

On the government-wide basis financial statements, the deferred inflows balance represents the following:

- Fiscal year 2016 tax revenue received in advance of \$75,353 and (in the Internal Service Fund) teachers' withholdings to be applied over July and August 2015 of \$258,464.
- Unamortized net decrease in long-term debt outstanding resulting from the City's issuance of refunding bonds in fiscal years 2006 and 2012 of \$285,980. The balance will be amortized (as a credit to annual interest expense of \$71,494) until fiscal year 2019.

## 17. Transfers In/Out

The City's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 268,990	\$ 450,000
Stabilization fund	200,000	-
Nonmajor Governmental Funds:		
Special revenue funds	-	248,990
Expendable trust funds	-	20,000
Fiduciary Funds:		
OPEB trust fund	250,000	-
Total	<u>\$ 718,990</u>	<u>\$ 718,990</u>

## 18. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2015:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations

of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. No funds met this fund balance classification in fiscal year 2015.

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

Unassigned - Represents amounts that are available to be spent in future periods and deficit balances in non-general fund accounts.

Following is a breakdown of the City's fund balances at June 30, 2015:

	General Fund	Community Development Block Grant	City Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 2,119,495	\$ 2,119,495
Total Nonexpendable	-	-	-	2,119,495	2,119,495
Restricted					
Bonded projects	-	-	-	398,260	398,260
Special revenue funds	-	378,819	165,528	7,070,727	7,615,074
Expendable permanent funds	-	-	-	2,416,885	2,416,885
Total Restricted	-	378,819	165,528	9,885,872	10,430,219
Assigned					
Encumbrances	2,134,626	-	-	-	2,134,626
Reserved for expenditures	1,000,000	-	-	-	1,000,000
Total Assigned	3,134,626	-	-	-	3,134,626
Unassigned					
General fund	5,601,245	-	-	-	5,601,245
Stabilization fund	5,328,114	-	-	-	5,328,114
Deficit fund balances	-	(26,274)	(618,481)	(1,118,167)	(1,762,922)
Total Unassigned	10,929,359	(26,274)	(618,481)	(1,118,167)	9,166,437
Total Fund Balance	\$ 14,063,985	\$ 352,545	\$ (452,953)	\$ 10,887,200	\$ 24,850,777

## **19. Commitments and Contingencies**

Outstanding Legal Issues – There are several pending legal issues in which the City is involved. The City’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

Combined Sewer Separation (CSS) and Related Potential Liabilities – The City has been made aware of combined sewer separation, overflow and in-flow/infiltration environmental issues which may become a material liability of the City in the future. The City signed the final consent decree with the Environmental Protection Agency (originally issued on June 1, 2012) which includes a compliance schedule that lasts through the year 2030 with a May 2012 estimated total cost of up to \$104 million, depending on re-evaluation and testing of phosphorous emissions and other factors in a few years. The decree also addresses the City’s compliance with its NPDES permit. A Federal National Pollutant Discharge Elimination System (NPDES) permit enables and regulates the discharge of treated wastewater and the operation and management of a publicly owned treatment works. The City’s NPDES permit is renewable every 5 years and includes various limitations, including phosphorous limits.

The City has established several projects to address different aspects of the sewer separation/overflow /treatment issues, including the NPDES permit issue. As of June 30, 2015, the City has incurred approximately \$50.3 million of engineering and construction costs related to these projects, \$39 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

## **20. Long-term Contracts**

McKay Campus School – In July 1995, the City entered into an agreement with the Commonwealth of Massachusetts (acting through Fitchburg State University, FSU) whereby FSU would operate the elementary school located at the City’s McKay school building. FSU provides staff and pays overhead costs, while the City provides textbooks, supplies, and use of the building. Per the terms of the agreement, the cost to the City is negotiated annually. The agreement can be terminated by either party, with two year’s notice. The cost of this agreement for fiscal year 2015 was approximately \$820,000.

Ambulance Services – Effective with fiscal year 2008, the City entered into a three year agreement with a private company to provide ambulance services to its residents. Under the terms of the initial agreement, the City is guaranteed to receive approximately \$400,000 per year from the private company. Effective with fiscal year 2011, the City extended the agreement for 5 years, with an increase in annual guaranteed revenue to \$450,000. In May 2015, the City signed a multi-year extension of this agreement through June 30, 2020 with annual guaranteed revenue of \$520,000.

City Hall Lease - Due to imminent structural concerns with the long time City Hall building, the City was forced to relocate all offices to leased space in October 2012.

In September 2012, the City entered into a lease with the Fitchburg Redevelopment Authority (FRA) for two spaces totaling approximately 14,550 square feet. The initial term of the lease is from September 15, 2012 – December 31, 2016, with provisions for 3 one-year extensions. Fixed base rent for the first space, consisting of approximately 8,400 square feet, is \$75,600 per year beginning January 1, 2013. This space was occupied by the City immediately. The fixed base rent for the 2<sup>nd</sup> space (approximately 6,150 square feet) is \$55,350 per year beginning March 1, 2013; however, this space is not expected to be fully useable until July 1, 2016. Until then, the City will receive a 100% credit against the rent to compensate for build out expenses the City expects to incur to renovate the space for its use.

Net Metering Credit Agreement – In April 2014 the City entered into a 5 year net metering credit agreement with Hi-Gear Products, who owns and operates a solar electric generation facility in Fitchburg. Under the terms of the agreement, the City purchases energy credits from Hi-Gear at a 15% discount, which are to be applied to its electricity bill, up to a maximum annual savings of \$210,000. Either party can terminate the agreement with three months' notice.

**21. Subsequent Event**

Debt

Subsequent to June 30, 2015, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>
MWPAT Interim Loan CWP-12-01A	\$ 721,648	0.10%	10/15/15

## **22. Post-Employment Health Care and Life Insurance Benefits**

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

### **A. Plan Description**

In addition to providing the pension benefits described in the following footnote, the City provides post-employment health care and life insurance benefits for retired employees through the City's insurance plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2015, the actuarial valuation date, 892 retirees and 790 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### **B. Benefits Provided**

The City provides medical, prescription drug, and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

### **C. Funding Policy**

Retirees contribute 25% - 30% (depending on the plan) of the cost of the health plan (50% for surviving spouses), as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

### **D. Annual OPEB Costs and Net OPEB Obligation**

The City's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over an initial period of thirty years. The following table shows the components of the City's annual OPEB cost for the year

ending June 30, 2015, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

	Governmental Funds	Water Fund	Sewer Fund	Total
Annual Required Contribution (ARC)	\$ 9,893,548	\$ 159,153	\$ 268,250	\$ 10,320,951
Interest on net OPEB obligation	1,769,304	28,065	47,929	1,845,298
Adjustment to ARC	<u>(1,998,115)</u>	<u>(33,916)</u>	<u>(54,371)</u>	<u>(2,086,402)</u>
Annual OPEB cost	9,664,737	153,302	261,808	10,079,847
Contributions made	<u>(5,019,184)</u>	<u>(72,124)</u>	<u>(79,251)</u>	<u>(5,170,559)</u>
Increase in net OPEB obligation	4,645,553	81,178	182,557	4,909,288
Net OPEB obligation - beginning of year	<u>43,780,224</u>	<u>1,119,572</u>	<u>1,232,647</u>	<u>46,132,443</u>
Net OPEB obligation - end of year	<u>\$ 48,425,777</u>	<u>\$ 1,200,750</u>	<u>\$ 1,415,204</u>	<u>\$ 51,041,731</u>

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

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 10,079,847	51%	\$ 51,041,731
2014	\$ 14,559,002	45%	\$ 46,132,443
2013	\$ 13,785,776	45%	\$ 38,120,472
2012	\$ 14,287,830	46%	\$ 30,593,907
2011	\$ 13,498,415	49%	\$ 22,941,686

The City's net OPEB obligation as of June 30, 2015 is recorded as a component of the "other long-term liabilities" line item reported in the accompanying government wide financial statements.

**E. Funded Status and Funding Progress**

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 129,060
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 129,060</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>66,402</u>
UAAL as a percentage of covered payroll	<u>194.4%</u>

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

In July 2015, the City formally voted to establish an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund is \$250,000 as of June 30, 2015.

*F. Actuarial Methods and Assumptions*

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

In the January 1, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation at the time of the valuation. The actuarial assumptions included a 4% interest/discount rate and an annual healthcare cost trend rate of 9%, decreasing by 0.5% per year through year 8 to 5.5% thereafter. The UAAL is amortized over a period of 24 years (remainder of initial thirty year amortization), on a closed basis and using a level percent of payroll (using a 3.25% annual rate of increase).

**23. Fitchburg Contributory Retirement System**

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

A. Plan Description

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

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Fitchburg Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include two appointed by the City, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at June 30, 2015:

Retirees and beneficiaries receiving benefits	549
Terminated plan members entitled to but not yet receiving benefits	128
Active plan members	<u>613</u>
Total	<u>1,290</u>
Number of participating employers	3

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the

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

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

### C. Contributions

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

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

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

The City's contribution to the System for the year ended June 30, 2015 was \$9,118,008, which was slightly higher than annual required contribution of \$9,095,807.

#### D. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2015 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

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

#### Investments

##### *Investment Policy*

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

##### *Rate of Return*

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net Pension Liability

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

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2015 were as follows (in thousands):

Net Pension Liability of Employers

Total pension liability	\$ 220,168
Plan fiduciary net position	<u>100,283</u>
Employers' net pension liability	<u>\$ 119,885</u>
Plan fiduciary net position as a percentage of the total pension liability	45.55%

Actuarial Assumptions

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

Valuation Date	1/1/2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.95%
Projected salary increases	4.25%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3% of first \$12,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2013.

Mortality rates were based on pre-retirement rates that reflect the RP-2000 employees table with the generational mortality with scale BB.

During the fiscal year there were no changes in benefit terms or assumptions.

## Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Core bonds	13.00%	0.97%	0.13%
Value-added bonds	10.00%	3.80%	0.38%
Large cap equities	14.50%	4.61%	0.67%
Mid/small cap equities	3.50%	4.85%	0.17%
International equities	16.00%	5.10%	0.82%
Emerging market equities	6.00%	6.31%	0.38%
Private equity	10.00%	6.55%	0.66%
Real estate	10.00%	3.40%	0.34%
Timber/natural resources	4.00%	3.64%	0.15%
Hedge funds	9.00%	3.64%	0.33%
Cash/portfolio completion	4.00%	0.00%	0.00%
Total	<u>100.00%</u>		4.03%
	Inflation		<u>3.00%</u>
	Expected arithmetic nominal return		<u>7.53%</u>

**Discount Rate:** The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following presents the City's proportionate share

of the net pension liability calculated using the discount rate of 7.95 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 (6.95%) or 1 percentage-point higher (8.95%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.95%)</u>	<u>Current Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
June 30, 2015	\$ 138,835	\$ 115,754	\$ 96,985

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

At June 30, 2015, the City reported a liability of approximately \$116 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 96.55 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$9,503,397. In addition, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>340</u>

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

Year ended June 30:	
2016	\$ 85,152
2017	85,152
2018	85,152
2019	<u>85,152</u>
Total	\$ <u>340,608</u>

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

### A. Plan Description

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

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

### B. Benefits Provided

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

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

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)

- Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2014	2013
Global equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge funds	10.00%	5.50%	4.75%
Private equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value added fixed income	10.00%	6.30%	6.30%
Timber/natural resources	4.00%	5.00%	5.00%
Total	100.0%		

#### E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single

discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousands):

Fiscal Year Ended	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
June 30, 2013	\$21,427,000	\$17,234,000	\$13,672,000
June 30, 2014	\$20,247,000	\$15,896,000	\$12,200,000

**G. Special Funding Situation**

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

**H. City Proportions**

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the City was \$81,168,374 and \$5,639,156 respectively, based on a proportionate share of 0.511%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide statement of activities.

**25. Self Insurance**

The City self insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

The City's insurance plans are retrospectively rated policies. In other words, the City contributes a level monthly premium which is adjusted quarterly for actual claims paid.

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable for up to \$120,000 per incident. The City has no maximum aggregate liability for all claims paid within one year. The claims

liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2015 are as follows:

Claims liability, July 1, 2014	\$ 988,955
Claims incurred/recognized in fiscal year 2015	16,709,594
Claims paid in fiscal year 2015	<u>(16,718,275)</u>
Claims liability, June 30, 2015	<u>\$ 980,274</u>
The claims liability at year end was comprised of the following:	
Estimated incurred but not reported claims	<u>\$ 980,274</u>
Total claims liability	<u>\$ 980,274</u>

In fiscal year 2015, the City's quarterly adjustment for April 1, 2015 through June 30, 2015 resulted in an overpayment by the City. This amount is shown as an overpayment of claims in the accompanying financial statements. This overpayment will be credited against the City's first quarterly true-up in fiscal year 2016.

**26. Risk Management**

The government 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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**27. Beginning Net Position Restatement**

The beginning (July 1, 2014) net position of the City has been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities	
		Water Fund	Sewer Fund
As previously reported, 6/30/14	\$ 66,221,938	\$ 30,725,737	\$ 28,446,701
To record the net pension liability in accordance with GASB 68	<u>(110,508,224)</u>	<u>(1,737,660)</u>	<u>(2,830,889)</u>
As restated, 6/30/14	<u>\$ (44,286,286)</u>	<u>\$ 28,988,077</u>	<u>\$ 25,615,812</u>

In addition, the beginning (January 1, 2014) net position of the Fitchburg Contributory Retirement System was restated as follows:

	<u>Pension Trust Fund</u>
As previously reported, 12/31/13	\$ 90,469,785
To correct the adjustment to annualize revenue	<u>4,529,857</u>
As restated, 12/31/13	<u>\$ 94,999,642</u>

CITY OF FITCHBURG, MASSACHUSETTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

June 30, 2015

(Unaudited)

(Amounts expressed in thousands)

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/15	\$ -	\$ 129,060	\$ 129,060	0.0%	\$ 66,402	194.4%
01/01/13	\$ -	\$ 179,048	\$ 179,048	0.0%	\$ 56,141	318.9%
01/01/11	\$ -	\$ 183,129	\$ 183,129	0.0%	\$ 55,766	328.4%
01/01/09	\$ -	\$ 177,764	\$ 177,764	0.0%	N/A	N/A

See Independent Auditors' Report.

CITY OF FITCHBURG, MASSACHUSETTS  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015  
(Unaudited)  
(Amounts expressed in thousands)

<u>Fitchburg Contributory Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	96.55%
Proportionate share of the net pension liability for the most recent measurement date	\$ <u>115,754</u>
Covered-employee payroll for the most recent measurement date	\$ <u>27,759</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	417.00%
Plan fiduciary net position as a percentage of the total pension liability	45.55%

<u>Massachusetts Teachers' Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.51%
The City's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the City	\$ <u>81,168</u>
Total net pension liability associated with the City	\$ <u><u>81,168</u></u>
Covered-employee payroll for the most recent measurement date	\$ 31,335
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.03%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

See Independent Auditors' Report.

CITY OF FITCHBURG, MASSACHUSETTS  
 SCHEDULE OF CONTRIBUTIONS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2015  
 (Unaudited)  
 (Amounts expressed in thousands)

	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 9,096
Contributions in relation to the contractually required contribution	<u>9,118</u>
Contribution deficiency (excess)	\$ <u>(22)</u>
Covered-employee payroll for the current fiscal year	<u>21,104</u>
Contributions as a percentage of covered-employee payroll	<u>43.21%</u>

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

See Independent Auditors' Report.

CITY OF FITCHBURG, MASSACHUSETTS  
 CONTRIBUTORY RETIREMENT SYSTEM  
 Schedule of Changes in the Net Pension Liability  
 (Unaudited)  
 (Amounts expressed in thousands)

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ 3,527
Interest on unfunded liability - time value of \$	16,740
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(14,282)</u>
Net change in total pension liability	5,985
Total pension liability - beginning	<u>214,183</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 220,168</u></b>
<b>Plan fiduciary net position *</b>	
Contributions - employer	\$ 9,503
Contributions - member	3,201
Net investment income	7,042
Benefit payments, including refunds of member contributions	(14,282)
Administrative expense	<u>(181)</u>
Net change in plan fiduciary net position	5,283
Plan fiduciary net position - beginning	<u>95,000</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 100,283</u></b>
<b>Net pension liability (asset) - ending (a-b)</b>	<b><u>\$ 119,885</u></b>

\* Reflects certain rounding and immaterial classification differences from page 24.

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

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

See Independent Auditors' Report.

CITY OF FITCHBURG, MASSACHUSETTS  
CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

**Schedule of Net Pension Liability**

	<u>2015</u>
Total pension liability	\$ 220,168
Plan fiduciary net position	<u>100,283</u>
Net pension liability (asset)	<u><u>\$ 119,885</u></u>
Plan fiduciary net position as a percentage of the total pension liability	45.55%
Covered employee payroll	\$ 28,776
Participating employer net pension liability (asset) as a percentage of covered employee payroll	416.61%

**Schedule of Contributions**

	<u>2015</u>
Actuarially determined contribution	\$ 9,413
Contributions in relation to the actuarially determined contribution	<u>9,436</u>
Contribution deficiency (excess)	<u><u>\$ (23)</u></u>
Covered employee payroll	\$ 29,387
Contributions as a percentage of covered employee payroll	32.11%

**Schedule of Investment Returns**

*Year Ended December 31*

	<u>2014</u>
Annual money weighted rate of return, net of investment expense	7.53%

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

See Independent Auditors' Report.