

**CITY OF FITCHBURG, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB Schedules appearing on pages 62 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Melanson Heath*

March 19, 2018

## **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, 2017.

### **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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$(82,788,261) (i.e., net position), a change of \$(11,044,001) in comparison to the restated prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$29,105,560, a change of \$(1,882,410) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,701,445, a change of \$830,151 in comparison with the prior year.
- At the close of the current fiscal year, the stabilization fund balance (which is combined with the general fund) was \$5,794,574, a change of \$347,316 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.

### STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016 Restated</u>	<u>2017</u>	<u>2016 Restated</u>	<u>2017</u>	<u>2016 Restated</u>
	Current and other assets	\$ 52,569	\$ 56,388	\$ 17,847	\$ 19,326	\$ 70,416
Capital assets	95,981	93,988	113,071	114,308	209,052	208,296
Total assets	148,550	150,376	130,918	133,634	279,468	284,010
Deferred outflows	12,428	5,656	1,378	395	13,806	6,051
Current liabilities	8,573	8,369	3,505	3,390	12,078	11,759
Non-current liabilities	282,689	271,162	80,463	78,399	363,152	349,561
Total liabilities	291,262	279,531	83,968	81,789	375,230	361,320
Deferred inflows	806	485	26	-	832	485
Net position:						
Net investment in capital assets	85,200	80,929	53,124	53,425	138,324	134,354
Restricted	11,281	13,195	-	-	11,281	13,195
Unrestricted	(227,571)	(218,108)	(4,822)	(1,185)	(232,393)	(219,293)
Total net position	\$ (131,090)	\$ (123,984)	\$ 48,302	\$ 52,240	\$ (82,788)	\$ (71,744)

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 \$(82,788,261), a change of \$(11,044,001) from the restated prior year.

By far the largest portion of net position, \$138,323,412, 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, \$11,280,592, 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 \$(232,392,265).

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2017</u>	<u>2016</u> <u>Restated</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,719	\$ 8,651	\$ 16,742	\$ 17,131	\$ 25,461	\$ 25,782
Operating grants and contributions	79,963	76,060	-	-	79,963	76,060
Capital grants and contributions	8,578	7,928	453	817	9,031	8,745
General revenues:						
Property taxes	50,078	48,287	-	-	50,078	48,287
Excises	4,241	3,547	-	-	4,241	3,547
Penalties, interest on taxes	1,065	1,120	-	-	1,065	1,120
Grants and contributions not restricted to specific programs	10,385	9,710	-	-	10,385	9,710
Investment income	193	236	21	14	214	250
Miscellaneous	1,283	973	-	-	1,283	973
Total revenues	<u>164,505</u>	<u>156,512</u>	<u>17,216</u>	<u>17,962</u>	<u>181,721</u>	<u>174,474</u>
Expenses:						
General government	10,789	8,788	-	-	10,789	8,788
Public safety	25,406	23,589	-	-	25,406	23,589
Education	111,755	99,530	-	-	111,755	99,530
Public works	10,041	8,799	-	-	10,041	8,799
Health and human services	4,586	4,326	-	-	4,586	4,326
Culture and recreation	2,352	1,949	-	-	2,352	1,949
Miscellaneous	800	737	-	-	800	737
Interest	341	495	-	-	341	495
Intergovernmental	5,541	5,220	-	-	5,541	5,220
Water operations	-	-	8,005	6,132	8,005	6,132
Sewer operations	-	-	13,149	10,728	13,149	10,728
Total expenses	<u>171,611</u>	<u>153,433</u>	<u>21,154</u>	<u>16,860</u>	<u>192,765</u>	<u>170,293</u>
Change in net position	(7,106)	3,079	(3,938)	1,102	(11,044)	4,181
Net assets - beginning of year, as restated	<u>(123,984)</u>	<u>(127,063)</u>	<u>52,240</u>	<u>51,138</u>	<u>(71,744)</u>	<u>(75,925)</u>
Net assets - end of year	<u>\$ (131,090)</u>	<u>\$ (123,984)</u>	<u>\$ 48,302</u>	<u>\$ 52,240</u>	<u>\$ (82,788)</u>	<u>\$ (71,744)</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(7,106,106). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,140,130
Major fund - CDBG fund expenditures in excess of revenues	(158,898)
Major fund - City grants fund revenues in excess of expenditures	56,724
Non-major fund expenditures and transfers out in excess of revenues	(2,920,366)
Internal service fund operations	(478,192)
Depreciation expense in excess of principal debt service	(1,968,289)
Capital assets purchases from grant and general resources	8,857,327
Loss of disposal of assets	(725,800)
Current year amortization of state (MSBA) reimbursements of school building projects, accrued in a prior year	(1,924,946)
Net pension liability decrease, net of deferrals	611,718
Net OPEB liability increase	(9,761,201)
Other timing differences	<u>165,687</u>
Total	<u>\$ (7,106,106)</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net position of \$(3,937,895). Key elements of this change are as follows:

Water enterprise	\$ (1,544,694)
Sewer enterprise	<u>(2,393,201)</u>
Total	<u>\$ (3,937,895)</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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$29,105,560, a change of \$(1,882,410) in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,140,130
Major fund - CDBG fund expenditures in excess of revenues	(158,898)
Major fund - City grants fund revenues in excess of expenditures	56,724
Non-major fund expenditures and transfers out in excess of revenues	<u>(2,920,366)</u>
Total	<u>\$ (1,882,410)</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 \$13,701,445, while total fund balance was \$17,803,731. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total 2017 General Fund Expenditures</u>
General fund	\$ 7,906,871	\$ 7,424,037	\$ 482,834	6.0%
Stabilization fund	<u>5,794,574</u>	<u>5,447,257</u>	<u>347,317</u>	<u>4.4%</u>
Total unassigned fund balance	\$ 13,701,445	\$ 12,871,294	\$ 830,151	10.4%
Total fund balance	\$ 17,803,731	\$ 16,663,601	\$ 1,140,130	13.5%

The total fund balance of the general fund increased by \$1,140,130 during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 617,300
Excess of state and local revenues over budget	3,570,268
Budgetary appropriations unspent by departments	1,776,754
Use of free cash (fund balance) and overlay surplus as a funding source	(5,481,489)

Timing Differences:

Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in subsequent period	309,980
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Other:

Stabilization fund interest and transfers in	<u>347,317</u>
Total	<u>\$ 1,140,130</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(4,821,668), a change of \$(3,636,947) in comparison with the restated 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 \$4,643,489. Major reasons for these amendments include:

- \$ 610,000 increase for snow and ice appropriations.
- \$ 300,000 increase for community development appropriations.
- \$1,234,810 increase for department of public works appropriations.
- \$ 504,197 increase for fire and police department appropriations.
- \$ 987,310 increase in education appropriations.
- \$ 407,172 increase in various other departmental appropriations.
- \$ 300,000 contribution to OPEB trust fund.
- \$ 300,000 transfer to stabilization fund.

All of this increase 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 \$209,052,335 (net of accumulated depreciation). 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	\$ (6,138,611)
Depreciation expense - water fund	(1,873,959)
Depreciation expense - sewer fund	(2,422,756)
Loss on disposition of assets - governmental funds	(725,800)
Loss on disposition of assets - water fund	(4,300)
Loss on disposition of assets - sewer fund	(273,189)
River street project	2,506,600
Streetscape improvements and street construction	1,870,236
Airport terminal projects	1,635,861
East Plant Facility	1,606,848
Beech/Hazel - CSS	1,035,733
Foreclosed properties and buildings	860,600
Various improvements, including school playground improvements, LED streetlights, school data infrastructure and police station renovation	646,568
Public safety equipment purchases, including vehicles for the Fire and Police departments	640,606
Water main improvements / replacements and hydrant replacements	321,700
Machinery and equipment purchases for the Public Works department	291,871
Sewer infrastructure, including sewer lines and storm drains, which are part of the Combined Sewer Separation and CMH projects (in process)	241,908
Memorial school paving	205,857
Miscellaneous equipment and library books	199,127
Vehicles purchased for the Water department	94,224
Vehicle purchased for the Sewer department	37,732
Total	<u>\$ 756,856</u>

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$69,357,743, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of 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. Calvin Brooks  
City Auditor  
Fitchburg Municipal Offices  
166 Boulder Drive, Suite 108  
Fitchburg, MA 01420

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 29,153,314	\$ 14,145,172	\$ 43,298,486
Investments	9,978,849	-	9,978,849
Receivables, net of allowance for uncollectibles:			
Property taxes	995,886	-	995,886
Excises	820,918	-	820,918
User fees	-	3,685,677	3,685,677
Departmental and other	335,645	-	335,645
Intergovernmental	5,865,530	16,091	5,881,621
Other assets	86,598	-	86,598
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,422,613	-	1,422,613
Intergovernmental, net of current portion	1,924,946	-	1,924,946
Loans	1,984,732	-	1,984,732
Land and construction in progress	11,317,592	5,893,382	17,210,974
Capital assets, net of accumulated depreciation	84,663,239	107,178,122	191,841,361
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	<u>12,428,380</u>	<u>1,377,875</u>	<u>13,806,255</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	160,978,242	132,296,319	293,274,561
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,290,820	372,729	2,663,549
Accounts payable	576,868	-	576,868
Accrued payroll and withholdings	2,969,234	-	2,969,234
Accrued interest payable	-	408,871	408,871
Accrued claims payable	822,642	-	822,642
Notes payable	1,400,000	2,724,043	4,124,043
Other current liabilities	513,403	-	513,403
Current portion of long-term liabilities:			
Bonds payable	3,940,000	5,233,448	9,173,448
Other	420,322	-	420,322
Noncurrent:			
Bonds payable, net of current portion	5,788,000	54,396,295	60,184,295
Net pension liability	121,073,551	13,422,841	134,496,392
Net OPEB liability	147,411,628	6,994,740	154,406,368
Other, net of current portion	4,056,303	415,462	4,471,765
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	232,425	25,768	258,193
Other	<u>573,429</u>	<u>-</u>	<u>573,429</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
	292,068,625	83,994,197	376,062,822
<b>NET POSITION</b>			
Net investment in capital assets	85,199,622	53,123,790	138,323,412
Restricted for:			
Grants and other statutory restrictions	6,674,224	-	6,674,224
Permanent funds:			
Nonexpendable	2,166,330	-	2,166,330
Expendable	2,440,038	-	2,440,038
Unrestricted	<u>(227,570,597)</u>	<u>(4,821,668)</u>	<u>(232,392,265)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (131,090,383)</u>	<u>\$ 48,302,122</u>	<u>\$ (82,788,261)</u>

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



CITY OF FITCHBURG, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General	Community Development Block Grant	City Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 15,148,279	\$ 220,157	\$ -	\$ 7,543,094	\$ 22,911,530
Investments	5,571,947	-	-	4,406,902	9,978,849
Receivables:					
Property taxes	1,129,844	-	-	-	1,129,844
Excises	1,354,124	-	-	-	1,354,124
Departmental and other, net of allowance	303,242	-	-	32,403	335,645
Intergovernmental	551,113	673,248	1,023,073	1,630,804	3,878,238
Tax title and demolition liens	5,764,125	-	-	-	5,764,125
Loans, net of allowance for uncollectibles	-	1,701,671	8,109,999	-	9,811,670
Due from other funds	761,481	-	-	-	761,481
Other assets	86,598	-	-	-	86,598
<b>TOTAL ASSETS</b>	<b>\$ 30,670,753</b>	<b>\$ 2,595,076</b>	<b>\$ 9,133,072</b>	<b>\$ 13,613,203</b>	<b>\$ 56,012,104</b>
<b>LIABILITIES</b>					
Warrants payable	\$ 1,082,453	\$ 5,521	\$ 120,393	\$ 974,097	\$ 2,182,464
Accrued payroll and withholdings	2,708,526	-	-	260,708	2,969,234
Due to other funds	-	-	761,481	-	761,481
Notes payable	-	-	-	1,400,000	1,400,000
Other current liabilities	513,403	-	-	-	513,403
<b>TOTAL LIABILITIES</b>	<b>4,304,382</b>	<b>5,521</b>	<b>881,874</b>	<b>2,634,805</b>	<b>7,826,582</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	8,562,640	2,374,920	8,109,999	32,403	19,079,962
Fund Balances:					
Nonspendable	-	-	-	2,166,330	2,166,330
Restricted	-	384,406	390,464	9,358,868	10,133,738
Assigned	4,102,286	-	-	-	4,102,286
Unassigned	13,701,445	(169,771)	(249,265)	(579,203)	12,703,206
<b>TOTAL FUND BALANCES</b>	<b>17,803,731</b>	<b>214,635</b>	<b>141,199</b>	<b>10,945,995</b>	<b>29,105,560</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 30,670,753</b>	<b>\$ 2,595,076</b>	<b>\$ 9,133,072</b>	<b>\$ 13,613,203</b>	<b>\$ 56,012,104</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, 2017

<b>Total Governmental Fund Balances</b>	\$ 29,105,560
<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>	95,980,831
<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>	10,094,239
<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>	4,365,827
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds and loans payable, compensated absences, capital leases, other post-employment benefits (OPEB) liability and net pension liability, net of deferrals, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	(270,493,848)
<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>(142,992)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ (131,090,383)</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, 2017

	<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	\$ 49,262,062	\$ -	\$ -	\$ -	\$ 49,262,062
Excises	3,958,177	-	-	-	3,958,177
Penalties, interest and other taxes	1,065,063	-	-	-	1,065,063
Charges for services	6,077,950	-	-	1,623,092	7,701,042
Intergovernmental	71,689,716	836,387	6,314,890	16,529,910	95,370,903
Licenses and permits	879,734	-	-	-	879,734
Fines and forfeitures	166,771	-	-	-	166,771
Investment income	137,897	-	-	48,051	185,948
Miscellaneous	13,553	173,812	-	-	187,365
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	133,250,923	1,010,199	6,314,890	18,201,053	158,777,065
<b>Expenditures:</b>					
Current:					
General government	4,883,574	1,169,097	3,751,356	301,694	10,105,721
Public safety	14,810,464	-	492,670	429,252	15,732,386
Education	67,028,272	-	-	15,170,026	82,198,298
Public works	4,070,633	-	1,326,673	4,635,962	10,033,268
Health and human services	3,554,971	-	403,637	58,030	4,016,638
Culture and recreation	1,240,953	-	283,830	280,699	1,805,482
Employee benefits	26,168,647	-	-	-	26,168,647
Miscellaneous	800,392	-	-	-	800,392
Debt service	4,257,435	-	-	-	4,257,435
Intergovernmental	5,541,208	-	-	-	5,541,208
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	132,356,549	1,169,097	6,258,166	20,875,663	160,659,475
Excess (deficiency) of revenues over expenditures	894,374	(158,898)	56,724	(2,674,610)	(1,882,410)
<b>Other Financing Sources (Uses):</b>					
Transfers in	245,756	-	-	-	245,756
Transfers out	-	-	-	(245,756)	(245,756)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	245,756	-	-	(245,756)	-
Change in fund balance	1,140,130	(158,898)	56,724	(2,920,366)	(1,882,410)
Fund Balance, at Beginning of Year	16,663,601	373,533	84,475	13,866,361	30,987,970
Fund Balance, at End of Year	<u>\$ 17,803,731</u>	<u>\$ 214,635</u>	<u>\$ 141,199</u>	<u>\$ 10,945,995</u>	<u>\$ 29,105,560</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, 2017

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,882,410)</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="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">8,857,327</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(725,800)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,138,612)</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. <span style="float: right;">217,164</span></li> <li>• Some revenues reported in the statement of activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <span style="float: right;">(1,924,946)</span></li> <li>• Pension and OPEB liabilities and related inflows and outflows are not reported as expenditures in the governmental funds, but are recorded as expenses in the statement of activities. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Net pension liability, net of deferrals</td> <td style="width: 20%; text-align: right;">611,718</td> </tr> <tr> <td>Net OPEB liability</td> <td style="text-align: right;">(9,761,201)</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="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayments of debt (bonds and loans)</td> <td style="width: 20%; text-align: right;">3,845,000</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 and capital leases, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <span style="float: right;">202,352</span></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. <span style="float: right;">(478,192)</span></li> </ul>	Capital outlay purchases	8,857,327	Loss on disposal of assets	(725,800)	Depreciation	(6,138,612)	Net pension liability, net of deferrals	611,718	Net OPEB liability	(9,761,201)	Repayments of debt (bonds and loans)	3,845,000	Amortization of deferred gain / (loss) on early retirement of debt	71,494	
Capital outlay purchases	8,857,327														
Loss on disposal of assets	(725,800)														
Depreciation	(6,138,612)														
Net pension liability, net of deferrals	611,718														
Net OPEB liability	(9,761,201)														
Repayments of debt (bonds and loans)	3,845,000														
Amortization of deferred gain / (loss) on early retirement of debt	71,494														
<b>Changes in Net Position of Governmental Activities</b>	<b>\$ <u>(7,106,106)</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Transfers In:</b>				
Property taxes	\$ 48,644,762	\$ 48,644,762	\$ 48,644,762	\$ -
Excises	3,202,140	3,202,140	3,958,177	756,037
Penalties, interest and other taxes	780,000	780,000	1,065,063	285,063
Charges for services	4,496,621	4,496,621	6,077,950	1,581,329
Intergovernmental	59,971,794	59,971,794	60,596,994	625,200
Licenses and permits	650,000	650,000	879,734	229,734
Fines and forfeitures	133,000	133,000	166,771	33,771
Investment income	45,000	45,000	90,581	45,581
Miscellaneous	-	-	13,553	13,553
Transfers in	245,756	245,756	245,756	-
<b>Total Revenues and Transfers In</b>	<b>118,169,073</b>	<b>118,169,073</b>	<b>121,739,341</b>	<b>3,570,268</b>
<b>Expenditures and Transfers Out:</b>				
General government	4,918,573	5,217,645	5,011,251	206,394
Public safety	14,773,696	15,277,893	14,853,932	423,961
Education	54,271,635	55,258,945	55,254,392	4,553
Public works	3,164,701	5,009,511	4,959,824	49,687
Health and human services	3,559,050	3,649,150	3,603,519	45,631
Culture and recreation	887,407	1,205,407	1,165,949	39,458
Employee benefits	26,599,995	26,899,995	26,120,508	779,487
Miscellaneous	805,802	805,802	805,790	12
Debt service	4,346,000	4,346,000	4,257,435	88,565
Intergovernmental	5,680,214	5,680,214	5,541,208	139,006
Transfers out	-	300,000	300,000	-
<b>Total Expenditures and Transfers Out</b>	<b>119,007,073</b>	<b>123,650,562</b>	<b>121,873,808</b>	<b>1,776,754</b>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(838,000)	(5,481,489)	(134,467)	5,347,022
<b>Other Financing Sources/Uses:</b>				
Use of free cash:				
Operating budget and capital items	138,000	4,181,489	-	(4,181,489)
Contribution to OPEB trust fund	-	300,000	-	(300,000)
Transfer to Stabilization fund	-	300,000	-	(300,000)
Overlay surplus	700,000	700,000	-	(700,000)
<b>Total Other Financing Sources/Uses</b>	<b>838,000</b>	<b>5,481,489</b>	<b>-</b>	<b>(5,481,489)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (134,467)	\$ (134,467)

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

CITY OF FITCHBURG, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 1,143,300	\$ 13,001,872	\$ 14,145,172	\$ 6,241,784
User fees, net of allowance for uncollectibles	1,378,151	2,307,526	3,685,677	-
Intergovernmental receivables	-	16,091	16,091	62,346
Total current assets	2,521,451	15,325,489	17,846,940	6,304,130
Noncurrent:				
Land and construction in progress	1,251,000	4,642,382	5,893,382	-
Capital assets, net of accumulated depreciation	42,756,141	64,421,981	107,178,122	-
Total noncurrent assets	44,007,141	69,064,363	113,071,504	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	583,285	794,590	1,377,875	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>47,111,877</b>	<b>85,184,442</b>	<b>132,296,319</b>	<b>6,304,130</b>
<b>LIABILITIES</b>				
Current:				
Warrants payable	82,988	289,741	372,729	108,355
Accounts payable	-	-	-	576,868
Accrued interest payable	65,778	343,093	408,871	-
Accrued claims payable	-	-	-	822,642
Notes payable	-	2,724,043	2,724,043	-
Current portion of long-term liabilities:				
Bonds payable	2,087,528	3,145,920	5,233,448	-
Total current liabilities	2,236,294	6,502,797	8,739,091	1,507,865
Noncurrent:				
Bonds payable, net of current portion	11,420,227	42,976,068	54,396,295	-
Net pension liability	5,682,187	7,740,654	13,422,841	-
Net OPEB liability	2,587,103	4,407,637	6,994,740	-
Other	184,961	230,501	415,462	-
Total noncurrent liabilities	19,874,478	55,354,860	75,229,338	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	10,908	14,860	25,768	-
Other	-	-	-	430,438
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>22,121,680</b>	<b>61,872,517</b>	<b>83,994,197</b>	<b>1,938,303</b>
<b>NET POSITION</b>				
Net investment in capital assets	30,499,386	22,624,404	53,123,790	-
Unrestricted	(5,509,189)	687,521	(4,821,668)	4,365,827
<b>TOTAL NET POSITION</b>	<b>\$ 24,990,197</b>	<b>\$ 23,311,925</b>	<b>\$ 48,302,122</b>	<b>\$ 4,365,827</b>

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, 2017

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 6,043,208	\$ 10,699,328	\$ 16,742,536	\$ -
Employee contributions	-	-	-	4,962,345
Employer contributions	-	-	-	13,571,154
Miscellaneous	-	-	-	1,095,742
	6,043,208	10,699,328	16,742,536	19,629,241
<b>Total Operating Revenues</b>				
<b>Operating Expenses:</b>				
Salary and wages	3,849,221	4,685,331	8,534,552	-
Operating expenses	1,346,688	2,279,579	3,626,267	-
Depreciation	1,873,959	2,422,756	4,296,715	-
Administrative assessments	720,000	950,000	1,670,000	-
Employee benefits	-	-	-	20,114,070
Other	33,685	1,758,690	1,792,375	-
	7,823,553	12,096,356	19,919,909	20,114,070
<b>Total Operating Expenses</b>				
Operating Income (Loss)	(1,780,345)	(1,397,028)	(3,177,373)	(484,829)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenue	415,869	37,136	453,005	-
Investment income	1,115	19,789	20,904	6,637
Interest expense	(181,333)	(1,053,098)	(1,234,431)	-
	235,651	(996,173)	(760,522)	6,637
<b>Total Nonoperating Revenues (Expenses), Net</b>				
Change in Net Position	(1,544,694)	(2,393,201)	(3,937,895)	(478,192)
Net Position at Beginning of Year, as restated	26,534,891	25,705,126	52,240,017	4,844,019
Net Position at End of Year	\$ 24,990,197	\$ 23,311,925	\$ 48,302,122	\$ 4,365,827

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, 2017

	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	\$ 5,926,300	\$ 10,604,829	\$ 16,531,129	\$ -
Payments to vendors and employees	(3,648,459)	(7,623,779)	(11,272,238)	-
Receipts from employees and employer	-	-	-	19,731,128
Payments of employee benefits and expenses	-	-	-	(19,735,491)
Net Cash Provided By (Used For) Operating Activities	2,277,841	2,981,050	5,258,891	(4,363)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Receipts from governments	3,575	-	3,575	-
Proceeds of notes and governmental loans	-	6,405,099	6,405,099	-
Acquisition and construction of capital assets	(411,624)	(2,649,032)	(3,060,656)	-
Principal payments on bonds and notes	(1,620,233)	(5,071,970)	(6,692,203)	-
Interest paid	(193,269)	(1,021,275)	(1,214,544)	-
Net Cash (Used For) Capital and Related Financing Activities	(2,221,551)	(2,337,178)	(4,558,729)	-
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	1,114	19,788	20,902	6,637
Net Cash Provided by Investing Activities	1,114	19,788	20,902	6,637
Net Change in Cash and Short-Term Investments	57,404	663,660	721,064	2,274
Cash and Short Term Investments, Beginning of Year	1,085,896	12,338,212	13,424,108	6,239,510
Cash and Short Term Investments, End of Year	\$ 1,143,300	\$ 13,001,872	\$ 14,145,172	\$ 6,241,784
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ (1,780,345)	\$ (1,397,028)	\$ (3,177,373)	\$ (484,829)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,873,959	2,422,756	4,296,715	-
Changes in assets and liabilities and deferred outflows/inflows:				
User fee / other receivables	(116,909)	(94,499)	(211,408)	(62,346)
Deferred outflows of resources	(426,730)	(555,854)	(982,584)	-
Warrants and other payables	12,348	(641,181)	(628,833)	378,579
Accrued / other liabilities	(1,605)	21,362	19,757	-
Net pension liability	2,495,018	2,880,411	5,375,429	-
OPEB liability	211,197	330,223	541,420	-
Deferred inflows of resources	10,908	14,860	25,768	164,233
Net Cash Provided By (Used For) Operating Activities	\$ 2,277,841	\$ 2,981,050	\$ 5,258,891	\$ (4,363)

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

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

	Other Post Employment Benefits <u>Trust Fund</u>	Pension Trust Fund (As of <u>December 31, 2016</u> )
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 1,592,920
Investments	597,916	103,060,879
Accounts receivable	<u>-</u>	<u>86,123</u>
 Total Assets	 597,916	 104,739,922
<b><u>LIABILITIES AND NET POSITION</u></b>		
Accounts payable	<u>-</u>	<u>5,662</u>
 Total Liabilities	 <u>-</u>	 <u>5,662</u>
<b><u>NET POSITION</u></b>		
 Total net position held in trust	 \$ <u>597,916</u>	 \$ <u>104,734,260</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, 2017

	Other Post Employment Benefits <u>Trust Fund</u>	Pension Trust Fund (For the Year Ended December 31, 2016) <u>Trust Fund</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ 5,712,181	\$ 10,576,990
Plan members	-	2,973,762
Other systems and Commonwealth of Massachusetts	-	1,002,992
Other	-	31,057
	<hr/>	<hr/>
Total contributions	5,712,181	14,584,801
Investment Income:		
Interest and dividends	42,263	-
Appreciation in fair value of investments	-	7,525,994
Less: management fees	-	(529,547)
	<hr/>	<hr/>
Net investment income	42,263	6,996,447
	<hr/>	<hr/>
Total additions	5,754,444	21,581,248
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	5,412,181	15,343,023
Refunds to plan members and other systems	-	101,876
Transfers to other systems	-	172,712
Administrative expenses	-	186,340
	<hr/>	<hr/>
Total deductions	5,412,181	15,803,951
	<hr/>	<hr/>
Net increase	342,263	5,777,297
<b>Net position restricted for pensions and other purposes:</b>		
Beginning of year	<u>255,653</u>	<u>98,956,963</u>
End of year	<u>\$ 597,916</u>	<u>\$ 104,734,260</u>

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 City 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 2017, it was determined that no entities met the required GASB 14 criteria of component units, other than as noted below.

*Blended Component Units:* 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 of segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

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

#### Government-Wide Financial Statements

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

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

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 fund* 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.

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

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

The City reports the following major proprietary funds:

- The *water enterprise fund* is used to account for the operations related to providing the City's water services and supporting infrastructure.
- The *sewer enterprise fund* is used to account for the operations of the City's wastewater treatment facility and supporting infrastructure.

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

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

The City reports the following fiduciary funds:

- The *other post-employment benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

- The *pension trust fund* accounts for the activities of the Employees 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 securities, corporate bonds, equity securities, mutual funds, the State investment fund and other investments. Investments are carried at fair value, except certificate of deposit, which are reported at cost.

#### 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 2017 tax levy reflected an excess capacity of \$7,564.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., the current portion of interfund loans).

H. Capital Assets

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

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

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

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

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

I. 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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

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

L. Use of Estimates

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

## 2. **Stewardship, Compliance and Accountability**

### A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the 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)	\$ 133,250,923	\$ 132,356,549
Other financing sources/uses (GAAP basis)	<u>245,756</u>	<u>-</u>
Subtotal (GAAP basis)	133,496,679	132,356,549
Remove effects of combining General and Stabilization funds	(47,316)	300,000
Adjust tax revenue to accrual basis	(617,300)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(3,092,305)
Add end of year appropriation carryforwards to expenditures	-	3,402,286
Reverse effect of non-budgeted State contributions for teachers retirement	<u>(11,092,722)</u>	<u>(11,092,722)</u>
Budgetary basis	<u>\$ 121,739,341</u>	<u>\$ 121,873,808</u>

*D. Deficit Fund Equity*

Certain individual funds reflected deficit balances as of June 30, 2017:

Community Development Block Grant Major Fund:	
Grant funds	\$ (169,771)
City Grants Major Fund:	
Police 911 Training Grant	(34,108)
DPW Street Construction Chapter 90	(75,896)
Shea Street Flood Hazard Mitigation	(107,289)
Bullet Proof Vest Grant	<u>(31,972)</u>
Total City Grants Fund	(249,265)
Non Major Funds:	
Special Education IDEA Grant	(141,625)
Title IIA Grant	(83,329)
ELT Grant	(21,888)
Airport fund	(107,282)
Airport project funds	<u>(225,079)</u>
Total Non Major Funds	<u>(579,203)</u>
Total All Funds	<u>\$ (998,239)</u>

It is anticipated that the deficits in these funds will be eliminated through future departmental and intergovernmental revenues, bond issuances and/or 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, 2017, none of the City's bank balance of \$44,809,614 was exposed to custodial credit risk as uninsured and/or uncollateralized.

As of December 31, 2016, \$185,893 of the Retirement System's bank balance of \$2,037,574 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, 2017 for each investment of the City:

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA+ / AA-</u>	<u>A+ / A-</u>	<u>BBB+ - B-</u>
Certificates of deposit	\$ 1,637	\$ 1,637	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,792	-	55	178	646	913
Corporate equities	833	833	-	-	-	-
Federal securities	5,423	-	5,423	-	-	-
Mutual funds	288	288	-	-	-	-
Pooled state funds	604	604	-	-	-	-
<b>Total</b>	<b>\$ 10,577</b>	<b>\$ 3,362</b>	<b>\$ 5,478</b>	<b>\$ 178</b>	<b>\$ 646</b>	<b>\$ 913</b>

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

The Retirement System's investments consist of shares in the Pension Reserves Investment Trust. Due to their nature, none of these investments are subject to credit risk disclosure. 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.

#### **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.

The City's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the City's name. The City manages this risk with SIPC and excess SIPC.

All of the Retirement System's investments are in pooled investment funds, which are exempt from custodial credit risk exposure.

**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 Library's investments were within these limits as of June 30, 2017.

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 System's investments (including Library funds) to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposit	\$ 1,637	\$ -	\$ 245	\$ 1,381	\$ 11
Corporate bonds	1,792	-	779	954	59
Corporate equities	833	833	-	-	-
Federal securities	5,423	-	554	4,101	768
Mutual funds	288	288	-	-	-
Pooled state funds	604	604	-	-	-
<b>Total</b>	<b>\$ 10,577</b>	<b>\$ 1,725</b>	<b>\$ 1,578</b>	<b>\$ 6,436</b>	<b>\$ 838</b>

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.

*F. Fair Value*

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

The City has the following fair value measurements as of June 30, 2017 (in thousands):

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Debt securities				
U.S. Treasury notes	\$ 2,721	\$ -	\$ 2,721	\$ -
Federal securities	2,702	-	2,702	-
Corporate bonds	1,792	-	1,792	-
Mutual funds	288	-	288	-
Equity Securities				
Corporate Equities				
Utilities	34	34	-	-
Information technology	107	107	-	-
Telecommunication services	45	45	-	-
Industrials	68	68	-	-
Healthcare	94	94	-	-
Consumer staples	165	165	-	-
Financial services	310	310	-	-
Other sectors	10	10	-	-
Investments measured at the net asset value (NAV):				
External investment pool	604	-	-	-
<b>Total</b>	<b>\$ 8,940</b>	<b>\$ 833</b>	<b>\$ 7,503</b>	<b>\$ -</b>

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>604</u>	\$ <u>-</u>	Quarterly	30 days

The System has the following fair value measurements as of December 31, 2016 (in thousands):

<u>Description</u>	<u>Amount</u>
Investments measured at the net asset value (NAV):	
External investment pool	\$ <u>103,061</u>

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>103,061</u>	\$ <u>-</u>	Monthly	30 days

## 5. **Taxes and Excises 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.

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

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

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 956,330	\$ (28,975)	\$ 927,355
Personal property taxes	173,514	(104,983)	68,531
Total current property taxes	1,129,844	(133,958)	995,886
Tax liens	4,231,003	(2,961,702)	1,269,301
Demo tax title	1,414,737	(1,273,263)	141,474
Demo liens	118,385	(106,547)	11,838
Total non-current property taxes	5,764,125	(4,341,512)	1,422,613
Motor vehicle excise	1,354,124	(533,206)	820,918
Grand Total	<u>\$ 8,248,093</u>	<u>\$ (5,008,676)</u>	<u>\$ 3,239,417</u>

## 6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 1,634,607	\$ (256,456)	\$ 1,378,151
Sewer	2,838,777	(531,251)	2,307,526
Total	<u>\$ 4,473,384</u>	<u>\$ (787,707)</u>	<u>\$ 3,685,677</u>

## 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 2017 and are expected to be reimbursed in fiscal year 2018.

The balance reported in the governmental activities statement of net position includes an additional amount (\$1,924,946 current and \$1,924,946 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.

Loan balances as of June 30, 2017 consist of the following:

	Total Loan <u>Balance</u>	Less Allowance <u>for Uncollect.</u>	Net <u>Amount</u>
CDBG - consumer loans	\$ 916,987	\$ (183,397)	\$ 733,590
CDBG - mortgage/financing loans	18,672	-	18,672
CDBG - deferred payment loans	766,012	(766,012)	-
HOME - mortgage/financing loans	1,540,588	(308,118)	1,232,470
Other City grants - deferred payment loans	<u>6,569,411</u>	<u>(6,569,411)</u>	<u>-</u>
Total	<u>\$ 9,811,670</u>	<u>\$ (7,826,938)</u>	<u>\$ 1,984,732</u>

## 9. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General fund	\$ 761,481	\$ -
City Grants fund	<u>-</u>	<u>761,481</u>
Total	<u>\$ 761,481</u>	<u>\$ 761,481</u>

## 10. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, being depreciated:					
Land improvements	\$ 13,643	\$ 206	\$ -	\$ 279	\$ 14,128
Buildings and improvements	84,257	578	(490)	259	84,604
Machinery, equipment, and furnishings	20,650	1,106	(171)	1,292	22,877
Infrastructure	<u>79,054</u>	<u>1,870</u>	<u>-</u>	<u>250</u>	<u>81,174</u>
Total capital assets, being depreciated	197,604	3,760	(661)	2,080	202,783
Less accumulated depreciation for:					
Land improvements	(5,224)	(378)	-	-	(5,602)
Buildings and improvements	(42,595)	(2,305)	-	-	(44,900)
Machinery, equipment, and furnishings	(15,399)	(1,437)	171	-	(16,665)
Infrastructure	<u>(48,935)</u>	<u>(2,018)</u>	<u>-</u>	<u>-</u>	<u>(50,953)</u>
Total accumulated depreciation	<u>(112,153)</u>	<u>(6,138)</u>	<u>171</u>	<u>-</u>	<u>(118,120)</u>
Total capital assets, being depreciated, net	85,451	(2,378)	(490)	2,080	84,663
Capital assets, not being depreciated:					
Land	4,483	307	(236)	-	4,554
Construction in progress (CIP)	<u>4,053</u>	<u>4,790</u>	<u>-</u>	<u>(2,080)</u>	<u>6,763</u>
Total capital assets, not being depreciated	<u>8,536</u>	<u>5,097</u>	<u>(236)</u>	<u>(2,080)</u>	<u>11,317</u>
Governmental activities capital assets, net	<u>\$ 93,987</u>	<u>\$ 2,719</u>	<u>\$ (726)</u>	<u>\$ -</u>	<u>\$ 95,980</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 109,441	\$ -	\$ -	\$ -	\$ 109,441
Machinery, equipment, and furnishings	7,852	132	(57)	371	8,298
Infrastructure	<u>53,731</u>	<u>321</u>	<u>(580)</u>	<u>13,433</u>	<u>66,905</u>
Total capital assets, being depreciated	171,024	453	(637)	13,804	184,644
Less accumulated depreciation for:					
Buildings and improvements	(51,637)	(2,757)	-	-	(54,394)
Machinery, equipment, and furnishings	(3,885)	(510)	57	-	(4,338)
Infrastructure	<u>(18,007)</u>	<u>(1,030)</u>	<u>303</u>	<u>-</u>	<u>(18,734)</u>
Total accumulated depreciation	<u>(73,529)</u>	<u>(4,297)</u>	<u>360</u>	<u>-</u>	<u>(77,466)</u>
Total capital assets, being depreciated, net	97,495	(3,844)	(277)	13,804	107,178
Capital assets, not being depreciated:					
Land	1,535	-	-	-	1,535
Construction in progress (CIP)	<u>15,277</u>	<u>2,885</u>	<u>-</u>	<u>(13,804)</u>	<u>4,358</u>
Total capital assets, not being depreciated	<u>16,812</u>	<u>2,885</u>	<u>-</u>	<u>(13,804)</u>	<u>5,893</u>
Business-type activities capital assets, net	<u>\$ 114,307</u>	<u>\$ (959)</u>	<u>\$ (277)</u>	<u>\$ -</u>	<u>\$ 113,071</u>

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

Governmental Activities:	
General government	\$ 97
Public safety	911
Education	1,857
Public works	2,546
Human services	303
Culture and recreation	<u>424</u>
Total depreciation expense - governmental activities	<u>\$ 6,138</u>
Business-Type Activities:	
Water	\$ 1,874
Sewer	<u>2,423</u>
Total depreciation expense - business-type activities	<u>\$ 4,297</u>

#### 11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* are more formally discussed in Note 21.

#### 12. Warrants and Accounts Payable

Warrants payable represent 2017 expenditures paid by July 15, 2017 as permitted by law. Accounts payable represent additional 2017 expenditures paid after July 15, 2017.

#### 13. Notes Payable

The City had the following notes outstanding at June 30, 2017:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2017</u>
Bond anticipation - sewer/airport	2.25%	06/23/17	06/22/18	\$ 2,614,000
MCWT interim note	0.0%	05/01/17	variable	<u>1,510,043</u>
Total				<u>\$ 4,124,043</u>

The following summarizes activity in notes payable during fiscal year 2017:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 2,500,000	\$ 2,614,000	\$ (2,500,000)	\$ 2,614,000
MCWT interim note	-	1,510,043	-	1,510,043
Total	<u>\$ 2,500,000</u>	<u>\$ 4,124,043</u>	<u>\$ (2,500,000)</u>	<u>\$ 4,124,043</u>

#### 14. Long-Term Debt

##### A. General Obligation Bonds

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

<u>Purpose</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2017</u>
<u>Governmental Activities:</u>			
Multi-purpose - refunding (2012)	12/01/18	2.0 - 4.0	\$ 5,600,000
Multi-purpose - refunding (2016)	06/30/19	2.0 - 4.0	698,000
Multi-purpose (2011)	06/15/21	3.0 - 4.0	420,000
Multi-purpose (2016)	06/30/21	2.0 - 4.0	1,585,000
Multi-purpose (2013)	06/15/23	3.0 - 3.5	1,425,000
Total Governmental Activities			<u>\$ 9,728,000</u>
<u>Business-Type Activities:</u>			
<u>Water Fund:</u>			
Water treatment (MCWT 99-06)	08/01/20	1.0 - 2.0	\$ 3,060,000
Water treatment (MCWT 00-10)	08/01/20	1.0 - 2.0	1,660,000
General obligation 2011 - water portion	06/15/21	3.0 - 4.0	400,000
Water treatment (MCWT 00-10A)	08/01/24	1.0 - 2.0	2,790,000
Water treatment (MCWT 01-16)	07/15/25	-	4,207,755
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	1,390,000
Total Water Fund			<u>13,507,755</u>

<u>Sewer Fund:</u>			
Sewer inflow (MCWT 97-30)	08/01/18	1.0 - 2.0	309,000
General obligation 2004 - sewer portion	03/15/19	2.5 - 5.0	290,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0	315,000
Sewer (MCWT 03-12A)	07/15/25	2.0	3,121,590
General obligation 2016 - sewer portion	06/30/26	2.0 - 4.0	2,575,000
Sewer (MCWT 03-12B)	07/15/26	2.0	895,892
Multi-purpose 2008 - sewer portion	06/01/28	3.5 - 5.5	350,000
2016 refunding - sewer portion	06/30/28	2.0 - 4.0	3,342,000
Sewer (MCWT 08-03)	07/15/28	2.0	4,744,030
Sewer (MCWT 08-03A)	07/15/30	2.0	723,706
Sewer (MCWT 03-12C)	07/15/30	2.0	240,749
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	1,400,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,520,000
Sewer (MCWT 12-01)	07/15/35	2.0	5,119,803
Sewer (MCWT 12-02)	07/15/35	2.0	6,559,210
Sewer (MCWT 12-01A)	07/15/36	2.0	692,244
Sewer (MCWT 13-01)	07/15/36	2.0	12,691,813
Sewer (MCWT 13-01A)	01/15/37	2.0	1,231,951
			46,121,988
Total Sewer Fund			46,121,988
Total Business-Type Activities			\$ 59,629,743

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,940,000	\$ 296,347	\$ 4,236,347
2019	4,028,000	146,060	4,174,060
2020	650,000	54,902	704,902
2021	645,000	31,300	676,300
2022	235,000	13,950	248,950
2023	230,000	6,892	236,892
Total	\$ 9,728,000	\$ 549,451	\$ 10,277,451
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,233,448	1,343,906	\$ 6,577,354
2019	5,321,590	1,084,593	6,406,183
2020	5,110,510	974,883	6,085,393
2021	5,189,033	887,624	6,076,657
2022	3,923,475	799,452	4,722,927
2023 - 2027	18,427,235	2,768,500	21,195,735
2028 - 2032	10,323,022	1,252,816	11,575,838
2033 - 2037	6,101,430	283,616	6,385,046
Total	\$ 59,629,743	\$ 9,395,390	\$ 69,025,133

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

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

<u>Purpose</u>	Balance July 1, 2016 (Restated)	Additions	Reductions	Total Balance June 30, 2017	Less Current Portion	Long-Term Portion June 30, 2017
<b>Governmental Activities</b>						
Bonds payable	\$ 13,573	\$ -	\$ (3,845)	\$ 9,728	(3,940)	5,788
Net pension liability	115,145	5,928	-	121,073	-	121,073
Net OPEB liability	137,650	9,762	-	147,412	-	147,412
Other:						
Loan payable	662	-	(325)	337	(337)	-
Accrued employee benefits	3,313	88	-	3,401	-	3,401
Capital lease liability	819	-	(81)	738	(83)	655
Subtotal other	<u>4,794</u>	<u>88</u>	<u>(406)</u>	<u>4,476</u>	<u>(420)</u>	<u>4,056</u>
Totals	<u>\$ 133,512</u>	<u>\$ 6,016</u>	<u>\$ (4,251)</u>	<u>\$ 135,277</u>	<u>\$ (4,360)</u>	<u>\$ 130,917</u>
<u>Purpose</u>	Balance July 1, 2016 (Restated)	Additions	Reductions	Total Balance June 30, 2017	Less Current Portion	Long-Term Portion June 30, 2017
<b>Business-Type Activities</b>						
Bonds payable	\$ 63,502	\$ 1,232	\$ (5,105)	\$ 59,629	\$ (5,233)	\$ 54,396
Net pension liability	8,047	5,376	-	13,423	-	13,423
Net OPEB liability	6,453	542	-	6,995	-	6,995
Other:						
Accrued employee benefits	<u>396</u>	<u>19</u>	<u>-</u>	<u>415</u>	<u>-</u>	<u>415</u>
Totals	<u>\$ 78,398</u>	<u>\$ 7,169</u>	<u>\$ (5,105)</u>	<u>\$ 80,462</u>	<u>\$ (5,233)</u>	<u>\$ 75,229</u>

**D. Advance and Current Refundings**

**Prior Year**

On June 23, 2016 the City issued general obligation bonds in the amount of \$9,395,000 (interest rate ranging from 2% - 4%), \$1,083,000 of which was used to refund \$1,090,000 of term bonds (for governmental activities) and \$3,359,000 of which was used to advance refund \$3,500,000 of term bonds (for the sewer fund), both with an interest rate of 3.5%. The governmental activities bond mature on November 15, 2018 and were callable at the time of refunding. The sewer-related term bonds mature on June 1, 2028 and are redeemable (with a premium) on June 1, 2018.

The general obligation bonds were issued at 109.5% and, after paying issuance costs of \$133,084, the net proceeds of the refunding bonds were \$4,833,489. Of the net proceeds, \$1,099,204 was placed with a trustee (cash deposit) to pay the principal and interest due August 1, 2016 for the current refunding of the governmental activities bond and \$3,734,285 was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt

service payments (and a redemption premium) until the sewer-related term bonds are called on June 1, 2018.

The refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's fiscal year 2016 financial statements.

As a result of the advance refunding, the City reduced its total debt service cash flow requirements by \$461,022 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$372,932.

Defeased debt still outstanding at June 30, 2017 is \$3,500,000.

**15. 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, 2017 was \$336,709 (all current).

**16. 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 completed in fiscal year 2017. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2017:

Fiscal Year	
2018	\$ 104,122
2019	104,122
2020	104,122
2021	104,122
2022	104,122
2023-2025	<u>312,367</u>
Total payments	832,977
Less amounts representing interest	<u>(95,240)</u>
Present Value of Minimum Lease Payments	<u>\$ 737,737</u>

## 17. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The City reports two items as deferred inflows of resources, one of which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 21.

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

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

- Amounts in the Internal Service Fund for teachers' withholdings to be applied over July and August 2017 of \$430,438.
- Unamortized net decrease in long-term debt outstanding resulting from the City's issuance of refunding bonds in fiscal years 2006 and 2012 of \$142,991. The balance will be amortized (as a credit to annual interest expense of \$71,494) until fiscal year 2019.

## 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, 2017:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes 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 2017.

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, general stabilization fund and deficit funds.

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

	General Fund	Community Development Block Grant	City Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 2,166,330	\$ 2,166,330
Total Nonexpendable	-	-	-	2,166,330	2,166,330
<b>Restricted</b>					
Bonded projects	-	-	-	21,237	21,237
Special revenue funds	-	384,406	390,464	6,897,593	7,672,463
Expendable permanent funds	-	-	-	2,440,038	2,440,038
Total Restricted	-	384,406	390,464	9,358,868	10,133,738
<b>Assigned</b>					
Encumbrances	3,402,286	-	-	-	3,402,286
Reserved for expenditures	700,000	-	-	-	700,000
Total Assigned	4,102,286	-	-	-	4,102,286
<b>Unassigned</b>					
General fund	7,906,871	-	-	-	7,906,871
Stabilization fund *	5,794,574	-	-	-	5,794,574
Deficit fund balances	-	(169,771)	(249,265)	(579,203)	(998,239)
Total Unassigned	13,701,445	(169,771)	(249,265)	(579,203)	12,703,206
Total Fund Balance	\$ 17,803,731	\$ 214,635	\$ 141,199	\$ 10,945,995	\$ 29,105,560

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

**19. Transfers In/Out**

The City reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 245,756	\$ -
Nonmajor Governmental Funds:		
Special revenue funds	<u>-</u>	<u>245,756</u>
Total	<u>\$ 245,756</u>	<u>\$ 245,756</u>

**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 2017 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. The lease was extended as of January 1, 2017. Per the extended lease terms, fixed base rent for the first space, consisting of approximately 8,400 square feet, is \$84,000 annually. The fixed base rent for the 2<sup>nd</sup> space (approximately 6,150 square feet) is \$61,500 annually. As of June 16, 2017, a 3<sup>rd</sup> space has been

secured through an amendment to the original lease for an additional 2,000 square feet for a fixed annual rent amount of \$20,000, payable monthly.

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. Fitchburg Contributory Retirement System**

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

### **A. Plan Description**

Substantially all employees of the City (except teachers and 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's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at the Fitchburg Municipal Offices, 166 Boulder Drive, Suite 108, Fitchburg, MA 01420.

### **Participant Retirement Benefits**

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based

upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

#### Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

#### Participants Contributions

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

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

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

#### Employer Contributions

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

The City's contribution to the System for the year ended June 30, 2017 was \$10,220,557, which was slightly higher than annual required contribution of \$10,194,122.

#### B. Summary of Significant Accounting Policies

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

#### C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of approximately \$134 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 96.28 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$14,027,453. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,619	\$ -
Net difference between projected and actual earnings on pension plan investments	4,929	-
Changes of assumptions	3,258	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	258
Total	<u>\$ 13,806</u>	<u>\$ 258</u>

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

Year ended June 30:	
2018	\$ 3,551
2019	3,551
2020	3,465
2021	2,030
2022	951
Total	<u>\$ 13,548</u>

#### D. Actuarial Assumptions

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

Valuation Date	January 1, 2016
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.00%
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.

Mortality rates were based on:

- Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2000 (gender distinct).
- Post-retirement rates reflect the RP-2000 Healthy Annuitant table.
- For disable retirees, the rates reflect the RP-2000 Health Annuitant table with base year of 2000, set forward 2 years (gender distinct).

During the most recent valuation there were changes in assumptions, including reducing the investment rate of return from 7.95% in 2013 to 7.75% in 2016. This had the effect of increasing total pension liability by \$4.6 million. Additionally, the salary increase assumption was reduced from 4.25% in 2013 to 4.00% in 2016. This had the effect of decreasing the total pension liability by \$805,000.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap equities	14.5%	7.50%
Small/mid cap equities	3.5%	7.75%
International equities	16.0%	7.83%
Emerging market equities	6.0%	9.61%
Core bonds	5.0%	4.00%
20+ year Treasuries	5.0%	3.75%
TIPS	3.0%	3.75%
High-Yield bonds	1.5%	5.75%
Bank loans	1.5%	6.00%
EMD (external)	1.0%	5.75%
EMD (local currency)	2.0%	6.50%
Private debt	4.0%	9.06%
Private equity	10.0%	9.50%
Real estate	10.0%	6.50%
Timberland	4.0%	6.00%
Hedge funds & portfolio completion	13.0%	6.48%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. 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 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2017	\$159,326	\$134,496	\$116,177

G. Pension Plan Fiduciary Net Position

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

**22. Massachusetts Teachers' Retirement System (MTRS)**

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is

part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

#### *B. Benefits Provided*

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 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>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

*D. Actuarial Assumptions*

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

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

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

asset allocation as of June 30, 2016 are summarized in the following table:

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

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. 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):

<u>Fiscal Year Ended</u>	<u>1% Decrease to (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase to (8.5%)</u>
June 30, 2016	\$27,464,000	\$22,357,928	\$18,022,000

*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 2016 (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 \$108,745,192 and \$11,092,722 respectively, based on a proportionate share of 0.486%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

### **23. Other Post-Employment Benefits – OPEB (GASB 74/75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. These statements identify the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB also are addressed.

#### A. General Information About the OPEB Plan

*Plan description.* The City provides healthcare for retired employees through its single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) establishes the benefits, benefit levels, employee contributions and employer contributions requirements. The OPEB plan is administered through a trust, established in July 2015, that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB plan does not issue a stand-alone financial report.

*Benefits provided.* Retirees and their covered dependents are eligible to participate in the City's medical and prescription drug programs. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	890
Active employees	<u>1,051</u>
Total	<u><u>1,941</u></u>

*Contributions.* Retirees contribute between 25% and 30% toward medical coverage and 25% toward \$10,000 life insurance coverage. The City contributes the remainder of the OPEB plan costs on a pay-as-you-go basis.

**B. Net OPEB Liability**

The City's net OPEB liability of approximately \$154.4 million was measured as of June 30, 2017 and determined by an actuarial valuation as of that date. Changes in the net OPEB liability are as follows (in thousands):

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at June 30, 2016	\$ 150,114	\$ 256	\$ 149,858
Changes for the year:			
Service cost	5,434	-	5,434
Interest	4,868	-	4,868
Contributions - employer	-	5,712	(5,712)
Net investment income	-	42	(42)
Benefit payments	<u>(5,412)</u>	<u>(5,412)</u>	<u>-</u>
Net changes	<u>4,890</u>	<u>342</u>	<u>4,548</u>
Balances at June 30, 2017	<u><u>\$ 155,004</u></u>	<u><u>\$ 598</u></u>	<u><u>\$ 154,406</u></u>

**C. Actuarial Assumptions and Other Inputs**

*Actuarial assumptions.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3 percent
Salary increases	3 percent, average, including inflation
Healthcare cost trend rates	8 percent, decreasing 0.5 percent per year to an ultimate rate of 5 percent

Mortality rates were based on the RP-2014 mortality table, with Scale MP-2014 projection.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at current contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected rate of return on OPEB plan investments was based on the S&P Municipal Bond 20-year High Grade Rate Index and was applied to all periods of projected benefit payments to determine the total OPEB liability.

**D. Sensitivity of the Net OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate (in thousands):

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB liability	\$180,234	\$154,406	\$128,578

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (7.0%)	Healthcare Cost Trend Rates (8.0%)	1% Increase (9.0%)
Net OPEB liability	\$126,091	\$154,406	\$188,643

**E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the City recognized an OPEB expense of \$10,302,622. At June 30, 2017, the City did not report deferred outflows of resources and deferred inflows of resources related to OPEB.

## **24. Commitments and Contingencies**

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the City is involved. There is one case the City is vigorously defending and there is a strong likelihood that the City will prevail, however, the potential future settlement of this case could have a material effect on the 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.

Wastewater Consent Decree (CD), Wastewater NPDES Permit, and Related Potential Liabilities – The City has been made aware of combined sewer separation, overflow and inflow/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 NPDES permit issues. As of June 30, 2017, the City has incurred approximately \$56 million of engineering and construction costs related to these projects, \$42.7 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

## **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 \$130,000 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, 2017 are as follows:

Claims liability, July 1, 2016	\$ 808,117
Claims incurred/recognized in fiscal year 2017	20,114,070
Claims paid in fiscal year 2017	<u>(20,099,545)</u>
Claims liability, June 30, 2017	<u>\$ 822,642</u>

The claims liability at year end was comprised entirely of estimated incurred but not reported claims.

## 26. **Beginning Net Position Restatement**

The beginning (July 1, 2016), net position of the City has been restated as follows:

	Governmental <u>Activities</u>	Business-Type Activities	
		<u>Water Fund</u>	<u>Sewer Fund</u>
As previously reported, 6/30/16	\$ (39,576,626)	\$ 27,608,134	\$ 28,118,542
Implementation of GASB 75	<u>(84,407,651)</u>	<u>(1,073,243)</u>	<u>(2,413,416)</u>
As restated, 6/30/16	<u>\$ (123,984,277)</u>	<u>\$ 26,534,891</u>	<u>\$ 25,705,126</u>

CITY OF FITCHBURG, MASSACHUSETTS  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2017

(Unaudited)

(Amounts expressed in thousands)

**Fitchburg Contributory Retirement System**

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	December 31, 2016	96.28%	\$134,496	\$30,723	437.8%	42.9%
June 30, 2016	December 31, 2015	96.60%	\$123,193	\$29,175	422.3%	43.7%
June 30, 2015	December 31, 2014	96.55%	\$115,754	\$27,759	417.0%	45.6%

**Massachusetts Teachers' Retirement System**

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City	Total Net Pension Liability Associated with the City	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	0.49%	-	\$108,745	\$108,745	\$31,993	-	52.7%
June 30, 2016	June 30, 2015	0.50%	-	\$101,788	\$101,788	\$31,490	-	55.4%
June 30, 2015	June 30, 2014	0.51%	-	\$81,168	\$81,168	\$31,335	-	61.6%

*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 PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2017

(Unaudited)

(Amounts expressed in thousands)

**Fitchburg Contributory Retirement System**

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<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$10,194	\$10,220	(\$26)	\$30,723	33.3%
June 30, 2016	\$9,649	\$9,672	(\$23)	\$29,175	33.2%
June 30, 2015	\$9,096	\$9,118	(\$22)	\$27,759	32.8%

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74/75)

(Unaudited)

(Amounts expressed in thousands)

	<u>2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 5,434
Interest on unfunded liability - time value of \$	4,868
Benefit payments, including refunds of member contributions	<u>(5,412)</u>
Net change in total OPEB liability	4,890
Total OPEB liability - beginning	<u>150,114</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 155,004</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 5,712
Net investment income	42
Benefit payments, including refunds of member contributions	<u>(5,412)</u>
Net change in plan fiduciary net position	342
Plan fiduciary net position - beginning	<u>256</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 598</u></u>
 <b>Net OPEB liability (asset) - ending (a-b)</b>	<u><u>\$ 154,406</u></u>

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

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

See Independent Auditors' Report.

CITY OF FITCHBURG, MASSACHUSETTS  
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
 SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,  
 AND INVESTMENT RETURNS (GASB 74/75)

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<u>2017</u>
Total OPEB liability	\$ 155,004
Plan fiduciary net position	<u>(598)</u>
Net OPEB liability	<u>\$ 154,406</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.39%
Covered payroll	\$ 72,824
Participating employer net OPEB liability as a percentage of covered payroll	212.03%
<b>Schedule of Contributions</b>	<u>2017</u>
Actuarially determined contribution	\$ 10,303
Contributions in relation to the actuarially determined contribution	<u>(5,712)</u>
Contribution deficiency (excess)	<u>\$ 4,591</u>
Covered payroll	\$ 72,824
Contributions as a percentage of covered payroll	7.84%
<b>Schedule of Investment Returns</b>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	9.10%

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

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

See Independent Auditors' Report.