

CITY OF FITCHBURG, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

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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, 2018, 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, 2018, 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.

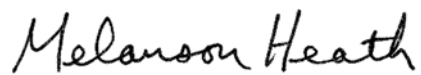
Other Matters

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 65 to 68 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 15, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

March 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fitchburg (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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).

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

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

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

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

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

Proprietary funds. Proprietary 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, only in more detail. Specifically, enterprise funds are used to account for water and sewer operations, which are considered major funds.

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

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 liabilities and deferred inflows exceeded assets and deferred outflows by \$(84,329,717) (i.e., net position), a change of \$(1,541,456) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$33,796,080, a change of \$4,690,520 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,768,721, a change of \$2,067,276 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 57,719	\$ 52,569	\$ 19,327	\$ 17,847	\$ 77,046	\$ 70,416
Capital assets	<u>94,844</u>	<u>95,981</u>	<u>123,140</u>	<u>113,071</u>	<u>217,984</u>	<u>209,052</u>
Total assets	152,563	148,550	142,467	130,918	295,030	279,468
Deferred outflows of resources	19,826	12,428	1,859	1,378	21,685	13,806
Current liabilities	15,421	12,933	23,898	8,739	39,319	21,672
Noncurrent liabilities	<u>286,522</u>	<u>278,329</u>	<u>70,247</u>	<u>75,229</u>	<u>356,769</u>	<u>353,558</u>
Total liabilities	301,943	291,262	94,145	83,968	396,088	375,230
Deferred inflows of resources	4,530	806	427	26	4,957	832
Net position:						
Net investment in capital assets	89,067	85,200	52,226	52,671	141,293	137,871
Restricted	12,420	11,281	-	-	12,420	11,281
Unrestricted	<u>(235,571)</u>	<u>(227,571)</u>	<u>(2,472)</u>	<u>(4,369)</u>	<u>(238,043)</u>	<u>(231,940)</u>
Total net position	<u>\$ (134,084)</u>	<u>\$ (131,090)</u>	<u>\$ 49,754</u>	<u>\$ 48,302</u>	<u>\$ (84,330)</u>	<u>\$ (82,788)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(84,329,717), a change of \$(1,541,456) in comparison with the prior year.

By far the largest portion of net position, \$141,292,872, 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, \$12,419,986, 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 \$(238,042,575).

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 14,382	\$ 8,719	\$ 17,180	\$ 16,742	\$ 31,562	\$ 25,461
Operating grants and contributions	86,165	79,963	-	-	86,165	79,963
Capital grants and contributions	3,745	8,578	786	453	4,531	9,031
General revenues:						
Property taxes	52,453	50,078	-	-	52,453	50,078
Excises	4,167	4,241	-	-	4,167	4,241
Penalties, interest and other taxes	1,287	1,065	-	-	1,287	1,065
Grants and contributions not restricted to specific programs	10,918	10,385	-	-	10,918	10,385
Investment income	256	193	56	21	312	214
Miscellaneous	562	1,283	-	-	562	1,283
Total revenues	173,935	164,505	18,022	17,216	191,957	181,721
Expenses:						
General government	10,531	10,789	-	-	10,531	10,789
Public safety	26,002	25,406	-	-	26,002	25,406
Education	114,320	111,755	-	-	114,320	111,755
Public works	10,129	10,041	-	-	10,129	10,041
Health and human services	4,854	4,586	-	-	4,854	4,586
Culture and recreation	4,110	2,352	-	-	4,110	2,352
Miscellaneous	974	800	-	-	974	800
Interest on long-term debt	267	341	-	-	267	341
Intergovernmental	5,742	5,541	-	-	5,742	5,541
Water operations	-	-	6,109	8,005	6,109	8,005
Sewer operations	-	-	10,461	13,149	10,461	13,149
Total expenses	176,929	171,611	16,570	21,154	193,499	192,765
Change in net position	(2,994)	(7,106)	1,452	(3,938)	(1,542)	(11,044)
Net position - beginning of year	(131,090)	(123,984)	48,302	52,240	(82,788)	(71,744)
Net position - end of year	\$ (134,084)	\$ (131,090)	\$ 49,754	\$ 48,302	\$ (84,330)	\$ (82,788)

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,993,521). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 2,907,320
Major fund - CDBG fund revenues in excess of expenditures	123,858
Major fund - City grants fund revenues in excess of expenditures	234,888
Non-major fund revenues and transfers in in excess of expenditures and transfers out	1,424,454
Internal service fund expenditures in excess of revenues	(245,900)
Depreciation expense in excess of principal debt service	(2,064,194)
Capital assets purchases	5,676,967
Loss of disposal of assets	(472,807)
Current year amortization of state (MSBA) reimbursements of school building projects, accrued in a prior year	(1,924,946)
Change in net pension liability, net of deferrals	(3,934,312)
Change in net OPEB liability, net of deferrals	(4,615,458)
Other timing differences	(103,391)
Total	<u>\$ (2,993,521)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$1,452,065. Key elements of this change are as follows:

Water enterprise	\$ 815,043
Sewer enterprise	637,022
Total	<u>\$ 1,452,065</u>

D. FINANCIAL ANALYSIS OF 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 \$33,796,080, a change of \$4,690,520 in comparison with the prior year. Key elements of this change are as follows:

General fund operations, as discussed further below	\$ 2,907,320
Major fund - CDBG fund revenues in excess of expenditures	123,858
Major fund - City grants fund revenues in excess of expenditures	234,888
Non-major fund revenues and transfers in in excess of expenditures and transfers out	<u>1,424,454</u>
Total	<u>\$ 4,690,520</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 \$15,768,721, while total fund balance was \$20,711,051. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total 2018 General Fund Expenditures</u>
General fund	\$ 9,688,922	\$ 7,906,871	\$ 1,782,051	7.3%
Stabilization fund	<u>6,079,799</u>	<u>5,794,574</u>	<u>285,225</u>	<u>4.6%</u>
Total unassigned fund balance	\$ 15,768,721	\$ 13,701,445	\$ 2,067,276	11.9%
Total fund balance	\$ 20,711,051	\$ 17,803,731	\$ 2,907,320	15.6%

The total fund balance of the general fund increased by \$2,907,320 during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 1,177,482
State and local revenues over budget	4,478,751
Budgetary appropriations unspent by departments	1,710,108
Use of free cash and overlay surplus as a funding source for nonrecurring expenses	(5,584,289)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	840,043
Change in Stabilization fund	<u>285,225</u>
Total	<u>\$ 2,907,320</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 \$(2,471,678), a change of \$1,897,715 in comparison with the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$4,884,289. Major reasons for these amendments include:

- \$1,000,000 increase for City Hall renovations appropriations.
- \$ 639,841 increase for general government appropriations.
- \$ 765,532 increase for fire and police department appropriations.
- \$ 727,438 increase in education appropriations.
- \$ 249,500 increase for department of public works appropriations.
- \$ 620,000 increase for snow and ice appropriations.
- \$ 331,978 increase in various other departmental appropriations.
- \$ 250,000 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 \$217,984,938 (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 activities	\$ (6,340,903)
Depreciation expense - business-type activities	(4,322,420)
Loss on disposition of assets - governmental activities	(472,807)
Loss on disposition of assets - business-type activities	(18,341)
Infrastructure	
Water mains and hydrants	2,241,231
Street improvements	1,798,000
Building and improvements	
Foreclosed buildings	550,300
Putnam street parking garage	193,820
Airport complex - hanger #7	171,734
Other	184,419
Departmental vehicles and equipment	
Public safety	446,510
Public works	317,310
Culture and recreation	93,376
Water	96,577
Sewer	104,036
Land	
Twin City rail trail	785,496
Foreclosed properties	474,700
Ashby-Piper road	100,000
Construction in progress	
East Plant facility	10,947,464
Beech/Hazel combined sewer separation project	833,682
River street project	510,704
Longsjo school roof	115,805
Other	121,910
Total	<u>\$ 8,932,603</u>

Change in credit rating. During the fiscal year, the S&P's credit rating changed from AA- to AA.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$60,184,296, 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 35,979,893	\$ 15,457,364	\$ 51,437,257
Investments	10,356,055	-	10,356,055
Receivables, net of allowance for uncollectibles:			
Property taxes	885,778	-	885,778
Excises	825,436	-	825,436
User fees	-	3,869,718	3,869,718
Departmental and other	129,268	-	129,268
Intergovernmental	6,257,088	-	6,257,088
Other assets	380,281	-	380,281
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,249,970	-	1,249,970
Loans	1,655,287	-	1,655,287
Land and construction in progress	6,015,898	15,285,290	21,301,188
Capital assets, net of accumulated depreciation	88,828,190	107,855,560	196,683,750
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	15,341,537	1,646,100	16,987,637
Related to OPEB	4,484,188	212,776	4,696,964
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	172,388,869	144,326,808	316,715,677
LIABILITIES			
Current:			
Warrants payable	3,347,219	998,279	4,345,498
Accounts payable	108,106	-	108,106
Accrued payroll and withholdings	2,867,370	-	2,867,370
Accrued interest payable	-	380,927	380,927
Accrued claims payable	870,467	-	870,467
Notes payable	3,400,000	17,197,059	20,597,059
Intergovernmental payable	66,749	-	66,749
Other current liabilities	646,739	-	646,739
Current portion of long-term liabilities:			
Bonds payable	4,028,000	5,321,590	9,349,590
Other	85,938	-	85,938
Noncurrent:			
Bonds payable, net of current portion	1,760,000	49,074,706	50,834,706
Net pension liability	124,187,883	13,324,976	137,512,859
Net OPEB liability	156,469,588	7,424,544	163,894,132
Other, net of current portion	4,104,761	423,070	4,527,831
DEFERRED INFLOWS OF RESOURCES			
Related to pension	3,965,562	425,492	4,391,054
Related to OPEB	41,686	1,978	43,664
Other	522,705	-	522,705
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	306,472,773	94,572,621	401,045,394
NET POSITION			
Net investment in capital assets	89,067,007	52,225,865	141,292,872
Restricted for:			
Grants and other statutory restrictions	7,834,330	-	7,834,330
Permanent funds:			
Nonexpendable	2,199,270	-	2,199,270
Expendable	2,386,386	-	2,386,386
Unrestricted	(235,570,897)	(2,471,678)	(238,042,575)
TOTAL NET POSITION	\$ (134,083,904)	\$ 49,754,187	\$ (84,329,717)

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 10,530,660	\$ 2,660,714	\$ 4,616,118	\$ 1,140,002	\$ (2,113,826)	\$ -	\$ (2,113,826)
Public safety	26,001,560	2,729,815	930,199	-	(22,341,546)	-	(22,341,546)
Education	114,319,605	3,917,888	77,036,619	-	(33,365,098)	-	(33,365,098)
Public works	10,129,312	1,083,641	261,890	2,403,672	(6,380,109)	-	(6,380,109)
Health and human services	4,854,476	3,800,320	834,467	-	(219,689)	-	(219,689)
Culture and recreation	4,109,802	189,588	2,486,174	201,015	(1,233,025)	-	(1,233,025)
Miscellaneous	973,914	-	-	-	(973,914)	-	(973,914)
Interest	267,051	-	-	-	(267,051)	-	(267,051)
Intergovernmental	5,742,027	-	-	-	(5,742,027)	-	(5,742,027)
Total Governmental Activities	176,928,407	14,381,966	86,165,467	3,744,689	(72,636,285)	-	(72,636,285)
Business-Type Activities:							
Water services	6,108,896	6,243,578	-	675,921	-	810,603	810,603
Sewer services	10,460,664	10,936,079	-	110,026	-	585,441	585,441
Total Business-Type Activities	16,569,560	17,179,657	-	785,947	-	1,396,044	1,396,044
Total	\$ 193,497,967	\$ 31,561,623	\$ 86,165,467	\$ 4,530,636	(72,636,285)	1,396,044	(71,240,241)
General Revenues:							
Property taxes					52,453,281	-	52,453,281
Excises					4,167,085	-	4,167,085
Penalties, interest and other taxes					1,286,811	-	1,286,811
Grants and contributions not restricted to specific programs					10,918,096	-	10,918,096
Investment income					255,874	56,021	311,895
Miscellaneous					561,617	-	561,617
Total general revenues					69,642,764	56,021	69,698,785
Change in net position					(2,993,521)	1,452,065	(1,541,456)
Net Position:							
Beginning of year					(131,090,383)	48,302,122	(82,788,261)
End of year					\$ (134,083,904)	\$ 49,754,187	\$ (84,329,717)

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

CITY OF FITCHBURG, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Community Development Block Grant</u>	<u>City Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 20,371,303	\$ 348,769	\$ 29,956	\$ 10,029,982	\$ 30,780,010
Investments	5,986,801	-	-	4,369,254	10,356,055
Receivables:					
Property taxes	1,021,682	-	-	-	1,021,682
Excises	1,384,899	-	-	-	1,384,899
Departmental and other, net of allowance for uncollectibles	73,163	-	-	56,105	129,268
Intergovernmental	612,022	944,679	489,942	2,239,328	4,285,971
Tax title and demolition liens	5,035,306	-	-	-	5,035,306
Loans, net of allowance for uncollectibles	-	1,500,186	8,657,842	-	10,158,028
Other assets	73,779	-	-	-	73,779
TOTAL ASSETS	\$ 34,558,955	\$ 2,793,634	\$ 9,177,740	\$ 16,694,669	\$ 63,224,998
LIABILITIES					
Warrants payable	\$ 2,449,267	\$ 10,276	\$ 143,811	\$ 632,910	\$ 3,236,264
Accounts payable	108,106	-	-	-	108,106
Accrued payroll and withholdings	2,632,165	-	-	235,205	2,867,370
Notes payable	-	-	-	3,400,000	3,400,000
Intergovernmental payable	66,749	-	-	-	66,749
Other liabilities	646,739	-	-	-	646,739
TOTAL LIABILITIES	5,903,026	10,276	143,811	4,268,115	10,325,228
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	7,944,878	2,444,865	8,657,842	56,105	19,103,690
FUND BALANCES					
Nonspendable	-	-	-	2,199,270	2,199,270
Restricted	-	338,493	376,087	10,887,180	11,601,760
Assigned	4,942,330	-	-	-	4,942,330
Unassigned	15,768,721	-	-	(716,001)	15,052,720
TOTAL FUND BALANCES	20,711,051	338,493	376,087	12,370,449	33,796,080
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,558,955	\$ 2,793,634	\$ 9,177,740	\$ 16,694,669	\$ 63,224,998

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, 2018

Total Governmental Fund Balances	\$ 33,796,080
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	94,844,088
<ul style="list-style-type: none">• 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.	8,045,192
<ul style="list-style-type: none">• Internal service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	4,119,927
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds.	(270,626,994)
<ul style="list-style-type: none">• 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.	(71,498)
<ul style="list-style-type: none">• Other	<u>(4,190,699)</u>
Net Position of Governmental Activities	\$ <u>(134,083,904)</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, 2018

	<u>General</u>	<u>Community Development Block Grant</u>	<u>City Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 51,699,549	\$ -	\$ -	\$ -	\$ 51,699,549
Excises	4,162,566	-	-	-	4,162,566
Penalties, interest and other taxes	1,286,811	-	-	-	1,286,811
Charges for services	6,287,405	-	-	1,594,865	7,882,270
Intergovernmental	69,929,989	628,998	7,768,019	18,407,650	96,734,656
Licenses and permits	1,048,571	-	-	-	1,048,571
Fines and forfeitures	182,976	-	-	-	182,976
Investment income	199,962	-	74	49,373	249,409
Miscellaneous	111,217	173,217	-	-	284,434
Total Revenues	134,909,046	802,215	7,768,093	20,051,888	163,531,242
Expenditures:					
Current:					
General government	5,040,783	678,357	2,488,131	813,180	9,020,451
Public safety	15,557,017	-	619,544	258,933	16,435,494
Education	64,603,291	-	-	14,548,947	79,152,238
Public works	4,483,865	-	1,554,080	1,722,431	7,760,376
Health and human services	3,858,354	-	366,006	50,766	4,275,126
Culture and recreation	1,230,543	-	2,505,444	198,445	3,934,432
Employee benefits	27,268,119	-	-	-	27,268,119
Miscellaneous	973,914	-	-	-	973,914
Debt service	4,278,545	-	-	-	4,278,545
Intergovernmental	5,742,027	-	-	-	5,742,027
Total Expenditures	133,036,458	678,357	7,533,205	17,592,702	158,840,722
Excess of revenues over expenditures	1,872,588	123,858	234,888	2,459,186	4,690,520
Other Financing Sources (Uses):					
Transfers in	2,160,035	-	-	1,125,303	3,285,338
Transfers out	(1,125,303)	-	-	(2,160,035)	(3,285,338)
Total Other Financing Sources (Uses)	1,034,732	-	-	(1,034,732)	-
Change in fund balance	2,907,320	123,858	234,888	1,424,454	4,690,520
Fund Balance, at Beginning of Year	17,803,731	214,635	141,199	10,945,995	29,105,560
Fund Balance, at End of Year	\$ <u>20,711,051</u>	\$ <u>338,493</u>	\$ <u>376,087</u>	\$ <u>12,370,449</u>	\$ <u>33,796,080</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, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,690,520																
<ul style="list-style-type: none"> 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> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">5,676,967</td></tr> <tr> <td>Loss on disposal of assets</td><td style="text-align: right;">(472,807)</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(6,340,903)</td></tr> </table> 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> <tr> <td>Repayments of debt (bonds and loans)</td><td style="text-align: right;">4,276,709</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> 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 change in deferred revenue, net of allowance for uncollectibles. <div style="text-align: right;">(124,100)</div> 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. <div style="text-align: right;">(1,924,946)</div> Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(3,934,312)</td></tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(4,615,458)</td></tr> <tr> <td>Other</td><td style="text-align: right;">(50,785)</td></tr> </table> Internal service funds are used by management to account for health insurance activities. The net activity of internal service funds is reported with governmental activities. <div style="text-align: right;"><u>(245,900)</u></div> 	Capital outlay purchases	5,676,967	Loss on disposal of assets	(472,807)	Depreciation	(6,340,903)	Repayments of debt (bonds and loans)	4,276,709	Amortization of deferred gain / (loss) on early retirement of debt	71,494	Net pension liability and related deferred outflows and inflows of resources	(3,934,312)	Net OPEB liability and related deferred outflows and inflows of resources	(4,615,458)	Other	(50,785)	<u><u>\$ (2,993,521)</u></u>
Capital outlay purchases	5,676,967																
Loss on disposal of assets	(472,807)																
Depreciation	(6,340,903)																
Repayments of debt (bonds and loans)	4,276,709																
Amortization of deferred gain / (loss) on early retirement of debt	71,494																
Net pension liability and related deferred outflows and inflows of resources	(3,934,312)																
Net OPEB liability and related deferred outflows and inflows of resources	(4,615,458)																
Other	(50,785)																
Changes in Net Position of Governmental Activities	\$ <u>(2,993,521)</u>																

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues and Transfers In:				
Property taxes	\$ 50,522,066	\$ 50,522,066	\$ 50,522,066	\$ -
Excises	3,298,429	3,298,429	4,162,566	864,137
Penalties, interest and other taxes	830,000	830,000	1,286,811	456,811
Charges for services	5,247,000	5,247,000	6,945,222	1,698,222
Intergovernmental	62,706,131	62,706,131	63,595,919	889,788
Licenses and permits	800,000	800,000	1,048,571	248,571
Fines and forfeitures	133,000	133,000	182,976	49,976
Investment income	55,000	55,000	214,737	159,737
Miscellaneous	-	-	111,218	111,218
Transfers in	2,159,744	2,159,744	2,160,035	291
Total Revenues and Transfers In	125,751,370	125,751,370	130,230,121	4,478,751
Expenditures and Transfers Out:				
General government	4,987,899	6,627,740	6,427,264	200,476
Public safety	15,583,224	16,348,756	15,928,938	419,818
Education	56,613,312	57,340,750	57,334,482	6,268
Public works	3,648,355	4,517,855	4,432,128	85,727
Health and human services	3,730,140	4,045,140	3,924,680	120,460
Culture and recreation	1,255,101	1,272,079	1,222,615	49,464
Employee benefits	28,265,905	28,515,905	27,934,506	581,399
Miscellaneous	992,240	992,240	975,063	17,177
Debt service	4,301,345	4,301,345	4,278,545	22,800
Intergovernmental	5,948,546	5,948,546	5,742,027	206,519
Transfers out	1,125,303	1,425,303	1,425,303	-
Total Expenditures and Transfers Out	126,451,370	131,335,659	129,625,551	1,710,108
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(700,000)	(5,584,289)	604,570	6,188,859
Other Financing Sources/Uses:				
Use of free cash:				
Operating budget and capital items	-	4,334,289	-	(4,334,289)
Contribution to OPEB trust fund	-	250,000	-	(250,000)
Transfer to Stabilization fund	-	300,000	-	(300,000)
Overlay surplus	700,000	700,000	-	(700,000)
Total Other Financing Sources/Uses	700,000	5,584,289	-	(5,584,289)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 604,570	\$ 604,570

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

CITY OF FITCHBURG, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
ASSETS				
Current:				
Cash and short-term investments	\$ 1,819,667	\$ 13,637,697	\$ 15,457,364	\$ 5,199,883
User fees, net of allowance for uncollectibles	1,501,330	2,368,388	3,869,718	-
Intergovernmental receivables	-	-	-	46,171
Other assets	-	-	-	306,502
Total current assets	3,320,997	16,006,085	19,327,082	5,552,556
Noncurrent:				
Land and construction in progress	1,351,000	13,934,290	15,285,290	-
Capital assets, net of accumulated depreciation	43,289,497	64,566,063	107,855,560	-
Total noncurrent assets	44,640,497	78,500,353	123,140,850	-
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	684,601	961,499	1,646,100	-
Related to OPEB	78,698	134,078	212,776	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	48,724,793	95,602,015	144,326,808	5,552,556
LIABILITIES				
Current:				
Warrants payable	302,722	695,557	998,279	110,955
Accrued interest payable	53,376	327,551	380,927	-
Accrued claims payable	-	-	-	870,467
Notes payable	2,500,000	14,697,059	17,197,059	-
Current portion of long-term liabilities:				
Bonds payable	2,142,528	3,179,062	5,321,590	-
Total current liabilities	4,998,626	18,899,229	23,897,855	981,422
Noncurrent:				
Bonds payable, net of current portion	9,277,699	39,797,007	49,074,706	-
Net pension liability	5,541,760	7,783,216	13,324,976	-
Net OPEB liability	2,746,072	4,678,472	7,424,544	-
Other	177,705	245,365	423,070	-
Total noncurrent liabilities	17,743,236	52,504,060	70,247,296	-
DEFERRED INFLOWS OF RESOURCES				
Related to pension	176,959	248,533	425,492	-
Related to OPEB	732	1,246	1,978	-
Other	-	-	-	451,207
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,919,553	71,653,068	94,572,621	1,432,629
NET POSITION				
Net investment in capital assets	30,720,270	21,505,595	52,225,865	-
Unrestricted	(4,915,030)	2,443,352	(2,471,678)	4,119,927
TOTAL NET POSITION	\$ 25,805,240	\$ 23,948,947	\$ 49,754,187	\$ 4,119,927

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, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Total	
Operating Revenues:				
Charges for services	\$ 6,243,578	\$ 10,936,079	\$ 17,179,657	\$ -
Employee contributions	-	-	-	5,067,486
Employer contributions	-	-	-	13,918,230
Miscellaneous	-	-	-	277,185
Total Operating Revenues	6,243,578	10,936,079	17,179,657	19,262,901
Operating Expenses:				
Salary and benefits	1,599,395	2,289,919	3,889,314	-
Operating expenses	1,742,387	2,202,862	3,945,249	-
Depreciation	1,873,521	2,448,899	4,322,420	-
Administrative assessments	720,000	950,000	1,670,000	-
Employee benefits	-	-	-	19,515,266
Other	53,669	1,495,627	1,549,296	-
Total Operating Expenses	5,988,972	9,387,307	15,376,279	19,515,266
Operating Income (Loss)	254,606	1,548,772	1,803,378	(252,365)
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	675,921	110,026	785,947	-
Investment income	4,440	51,581	56,021	6,465
Interest expense	(119,924)	(1,073,357)	(1,193,281)	-
Total Nonoperating Revenues (Expenses), Net	560,437	(911,750)	(351,313)	6,465
Change in Net Position	815,043	637,022	1,452,065	(245,900)
Net Position, at Beginning of Year	24,990,197	23,311,925	48,302,122	4,365,827
Net Position, at End of Year	\$ 25,805,240	\$ 23,948,947	\$ 49,754,187	\$ 4,119,927

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, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Total	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 6,120,399	\$ 10,875,217	\$ 16,995,616	\$ -
Payments to vendors and employees	(3,897,662)	(6,270,399)	(10,168,061)	-
Receipts from employees and employer	-	-	-	19,299,845
Payments of employee benefits and expenses	-	-	-	(20,348,211)
Net Cash Provided By (Used For) Operating Activities	2,222,737	4,604,818	6,827,555	(1,048,366)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(2,506,877)	(11,884,889)	(14,391,766)	-
Capital contributions	249,211	69,533	318,744	-
Proceeds of notes and governmental loans	2,500,000	14,753,646	17,253,646	-
Principal payments on bonds and notes	(1,660,818)	(5,869,965)	(7,530,783)	-
Interest expense	(132,326)	(1,088,899)	(1,221,225)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,550,810)	(4,020,574)	(5,571,384)	-
<u>Cash Flows From Investing Activities:</u>				
Investment income	4,440	51,581	56,021	6,465
Net Cash Provided by Investing Activities	4,440	51,581	56,021	6,465
Net Change in Cash and Short-Term Investments	676,367	635,825	1,312,192	(1,041,901)
Cash and Short-Term Investments, Beginning of Year	1,143,300	13,001,872	14,145,172	6,241,784
Cash and Short-Term Investments, End of Year	\$ 1,819,667	\$ 13,637,697	\$ 15,457,364	\$ 5,199,883
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 254,606	\$ 1,548,772	\$ 1,803,378	\$ (252,365)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,873,521	2,448,899	4,322,420	-
Changes in assets and liabilities and deferred outflows/inflows:				
User fee / other receivables	(123,179)	(60,862)	(184,041)	(290,327)
Deferred outflows - related to pension	(101,316)	(166,909)	(268,225)	-
Deferred outflows - related to OPEB	(78,698)	(134,078)	(212,776)	-
Warrants and other payables	219,734	405,816	625,550	(526,443)
Accrued / other liabilities	(7,256)	14,864	7,608	20,769
Net pension liability	(140,427)	42,562	(97,865)	-
Net OPEB liability	158,969	270,835	429,804	-
Deferred inflows - related to pension	166,051	233,673	399,724	-
Deferred inflows - related to OPEB	732	1,246	1,978	-
Net Cash Provided By (Used For) Operating Activities	\$ 2,222,737	\$ 4,604,818	\$ 6,827,555	\$ (1,048,366)

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

CITY OF FITCHBURG, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Pension and OPEB <u>Trust Funds</u>
ASSETS	
Cash and short-term investments	\$ 993,381
Investments in PRIT/SRBT	120,494,645
Accounts receivable	<u>166,928</u>
 Total Assets	 121,654,954
 NET POSITION	
Net position restricted for:	
Pensions	120,735,340
OPEB	<u>919,614</u>
 Total net position	 \$ <u><u>121,654,954</u></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, 2018

	Pension and OPEB <u>Trust Funds</u>
Additions:	
Contributions:	
Employers	\$ 17,214,614
Plan members	3,650,414
Other systems and Commonwealth of Massachusetts	383,728
Other	<u>35,266</u>
Total contributions	21,284,022
Investment Income:	
Interest and dividends	71,697
Appreciation in fair value of investments	18,037,913
Less: management fees	<u>(580,926)</u>
Net investment income	<u>17,528,684</u>
Total additions	38,812,706
Deductions:	
Benefit payments to plan members and beneficiaries	21,741,194
Refunds to plan members and other systems	208,593
Transfers to other systems	311,297
Administrative expenses	<u>228,845</u>
Total deductions	<u>22,489,929</u>
Net increase	16,322,777
Net position restricted for pensions and OPEB:	
Beginning of year	<u>105,332,177</u>
End of year	<u><u>\$ 121,654,954</u></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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units, other than as noted below.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The City reports the following major governmental funds:

- The *general fund* is the 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 fund:

- The *pension and other post-employment benefits trust funds* are used to accumulate resources for retiree post-employment benefits.

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

Investments for the Contributory Retirement System and the OPEB trust fund are in the State's Pension Reserve Investment Trust fund (PRIT). All other trust funds consist of Federal securities, certificates of deposit, corporate bonds and equities, and mutual funds. Investments are carried at fair value, except certificates of deposit, which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$13,024.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of 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

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick, personal pay and vacation pay is accrued when incurred in the government-wide 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.

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

K. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by

particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

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

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

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 to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 134,909,046	\$ 133,036,458
Other financing sources/uses (GAAP basis)	<u>2,160,035</u>	<u>1,125,303</u>
Subtotal (GAAP basis)	137,069,081	134,161,761
Remove the effect of adding the City's Stabilization fund per GASB 54	14,775	300,000
Adjust tax revenue to accrual basis	(1,177,482)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(3,402,287)
Add end of year appropriation carryforwards to expenditures	-	4,242,330
Reverse the effect of grant reimbursements for indirect costs	657,817	657,817
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(6,334,070)</u>	<u>(6,334,070)</u>
Budgetary basis	<u>\$ 130,230,121</u>	<u>\$ 129,625,551</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018:

Non Major Funds:	
Airport fund	(101,001)
Airport project funds	<u>(615,000)</u>
Total Non Major Funds	<u>\$ (716,001)</u>

It is anticipated that the deficits in these funds will be eliminated through future departmental and intergovernmental revenues and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The City'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, 2018, none of the City's bank balance of \$52,980,846 was exposed to custodial credit risk as uninsured and/or uncollateralized.

As of December 31, 2017, none of the System's bank balance of \$1,173,377 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the 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 pooled State 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 are the actual ratings as of June 30, 2018 for each investment of the City (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Exempt From <u>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	\$ 1,384	\$ 1,384	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,795	-	54	172	860	709
Corporate equities	645	645	-	-	-	-
Federal securities	6,069	-	6,069	-	-	-
Mutual funds	463	463	-	-	-	-
Pooled state funds (SRBT)	920	920	-	-	-	-
Total	<u>\$ 11,276</u>	<u>\$ 3,412</u>	<u>\$ 6,123</u>	<u>\$ 172</u>	<u>\$ 860</u>	<u>\$ 709</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of 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 manages custodial credit risk by keeping a diversified portfolio, with specified ranges of asset allocation between cash equivalents (0% - 25%), fixed income (25% - 75%) and stocks (25% - 50%). The 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. The City manages this custodial credit 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 and pooled State funds) 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, 2018.

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

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

<u>Investment Type</u>	<u>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	\$ 1,384	\$ -	\$ 1,374	\$ -	\$ 10
Corporate bonds	1,795	-	450	1,311	34
Corporate equities	645	645	-	-	-
Federal securities	6,069	-	1,136	4,102	831
Mutual funds	463	463	-	-	-
Pooled state funds	920	920	-	-	-
Total	<u>\$ 11,276</u>	<u>\$ 2,028</u>	<u>\$ 2,960</u>	<u>\$ 5,413</u>	<u>\$ 875</u>

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

E. Foreign Currency Risk

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

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, 2018 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Description	Value			
Investments by fair value level:				
Debt securities				
U.S. Treasury notes	\$ 3,157	\$ -	\$ 3,157	\$ -
Federal securities	2,912	-	2,912	-
Corporate bonds	1,795	-	1,795	-
Mutual funds	463	-	463	-
Equity Securities				
Corporate equities	645	645	-	-
Investments measured at the net asset value (NAV):				
External investment pool	920			
Total	\$ 9,892			

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool	<u>\$ 920</u>	<u>\$ -</u>	Quarterly	30 days

The System has the following fair value measurements as of December 31, 2017 (in thousands):

<u>Description</u>	<u>Value</u>
Investments measured at the net asset value (NAV):	
External investment pool	\$ <u>119,575</u>

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>119,575</u>	\$ <u>-</u>	Monthly	30 days

5. **Property Taxes and Excises Receivables**

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.

Property taxes and excise receivables at June 30, 2018 consists of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 838,370	\$ (26,716)	\$ 811,654
Personal property taxes	183,312	(109,188)	74,124
Tax liens	3,732,198	(2,612,539)	1,119,659
Demo tax title	1,190,472	(1,071,425)	119,047
Demo liens	112,636	(101,372)	11,264
Total property taxes	6,056,988	(3,921,240)	2,135,748
Less current portion			(885,778)
Noncurrent taxes receivable			\$ 1,249,970
Motor vehicle excise	1,384,899	(559,463)	825,436
Total excises	\$ 1,384,899	\$ (559,463)	\$ 825,436

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2018 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
<u>Receivables:</u>			
Water	\$ 1,768,779	\$ (267,449)	\$ 1,501,330
Sewer	2,894,336	(525,948)	2,368,388
Total	\$ 4,663,115	\$ (793,397)	\$ 3,869,718

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 2018 and are expected to be reimbursed in fiscal year 2019.

The balance reported in the governmental activities statement of net position includes an additional amount (\$1,924,946 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, 2018 consist of the following:

	Total Loan Balance	Less Allowance for Uncollectibles	Net Amount
CDBG - consumer loans	\$ 587,507	\$ (117,502)	\$ 470,005
CDBG - mortgage/financing loans	70,349	-	70,349
CDBG - deferred payment loans	842,329	(842,329)	-
HOME - mortgage/financing loans	1,393,666	(278,733)	1,114,933
Other City grants - deferred payment loans	7,264,177	(7,264,177)	-
Total	<u>\$ 10,158,028</u>	<u>\$ (8,502,741)</u>	<u>\$ 1,655,287</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 14,128	\$ -	\$ -	\$ -	\$ 14,128
Buildings and improvements	84,604	1,013	-	3,681	89,298
Machinery, equipment, and furnishings	22,877	857	(134)	-	23,600
Infrastructure	81,174	1,798	(5,260)	3,629	81,341
Total capital assets, being depreciated	202,783	3,668	(5,394)	7,310	208,367
Less accumulated depreciation for:					
Land improvements	(5,602)	(378)	-	-	(5,980)
Buildings and improvements	(44,900)	(2,531)	-	-	(47,431)
Machinery, equipment, and furnishings	(16,665)	(1,455)	134	-	(17,986)
Infrastructure	(50,953)	(1,977)	4,788	-	(48,142)
Total accumulated depreciation	(118,120)	(6,341)	4,922	-	(119,539)
Total capital assets, being depreciated, net	84,663	(2,673)	(472)	7,310	88,828
Capital assets, not being depreciated:					
Land	4,554	1,261	-	-	5,815
Construction in progress (CIP)	6,763	748	-	(7,310)	201
Total capital assets, not being depreciated	11,317	2,009	-	(7,310)	6,016
Governmental activities capital assets, net	<u>\$ 95,980</u>	<u>\$ (664)</u>	<u>\$ (472)</u>	<u>\$ -</u>	<u>\$ 94,844</u>

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 109,441	\$ 87	\$ -	\$ -	\$ 109,528
Machinery, equipment, and furnishings	8,298	201	(82)	-	8,417
Infrastructure	66,905	2,241	(83)	2,489	71,552
Total capital assets, being depreciated	184,644	2,529	(165)	2,489	189,497
Less accumulated depreciation for:					
Buildings and improvements	(54,394)	(2,730)	-	-	(57,124)
Machinery, equipment, and furnishings	(4,338)	(513)	82	-	(4,769)
Infrastructure	(18,734)	(1,079)	65	-	(19,748)
Total accumulated depreciation	(77,466)	(4,322)	147	-	(81,641)
Total capital assets, being depreciated, net	107,178	(1,793)	(18)	2,489	107,856
Capital assets, not being depreciated:					
Land	1,535	100	-	-	1,635
Construction in progress (CIP)	4,358	11,781	-	(2,489)	13,650
Total capital assets, not being depreciated	5,893	11,881	-	(2,489)	15,285
Business-type activities capital assets, net	\$ 113,071	\$ 10,088	\$ (18)	\$ -	\$ 123,141

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

Governmental Activities:	
General government	\$ 98
Public safety	947
Education	1,834
Public works	2,742
Human services	302
Culture and recreation	418
Total depreciation expense - governmental activities	\$ 6,341
Business-Type Activities:	
Water	\$ 1,873
Sewer	2,449
Total depreciation expense - business-type activities	\$ 4,322

10. Deferred Outflows of Resources

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

11. Warrants and Accounts Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018. Accounts payable represent additional 2018 expenditures paid after July 15, 2018.

12. Notes Payable

The City had the following notes outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2018</u>
Bond anticipation	2.75%	06/22/18	06/21/19	\$ 7,114,000
MCWT interim note CWP 16-05	0.0%	10/15/16	variable	1,574,040
MCWT interim note CWP 16-10	0.0%	05/01/17	variable	11,909,019
Total				<u>\$ 20,597,059</u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 2,614,000	\$ 7,114,000	\$ (2,614,000)	\$ 7,114,000
MCWT interim notes	1,510,043	11,973,016	-	13,483,059
Total	<u>\$ 4,124,043</u>	<u>\$ 19,087,016</u>	<u>\$ (2,614,000)</u>	<u>\$ 20,597,059</u>

13. Capital Lease Obligations

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, 2018:

Fiscal Year	
2019	\$ 104,122
2020	104,122
2021	104,122
2022	104,122
2023	104,122
Thereafter	<u>208,244</u>
Total payments	728,854
Less amounts representing interest	<u>(74,730)</u>
Present Value of Minimum Lease Payments	<u>\$ 654,124</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:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2018
<u>Governmental Activities:</u>			
Multi-purpose - refunding (2012)	12/01/18	2.0 - 4.0	\$ 2,865,000
Multi-purpose - refunding (2016)	06/30/19	2.0 - 4.0	333,000
Multi-purpose (2011)	06/15/21	3.0 - 4.0	315,000
Multi-purpose (2016)	06/30/21	2.0 - 4.0	1,095,000
Multi-purpose (2013)	06/15/23	3.0 - 3.5	<u>1,180,000</u>
Total Governmental Activities			<u>\$ 5,788,000</u>
<u>Business-Type Activities:</u>			
<u>Water Fund:</u>			
Water treatment (MCWT 99-06)	08/01/20	1.0 - 2.0	\$ 2,330,000
Water treatment (MCWT 00-10)	08/01/20	1.0 - 2.0	1,265,000
General obligation 2011 - water portion	06/15/21	3.0 - 4.0	300,000
Water treatment (MCWT 00-10A)	08/01/24	1.0 - 2.0	2,485,000
Water treatment (MCWT 01-16)	07/15/25	-	3,740,227
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	<u>1,300,000</u>
Total Water Fund			11,420,227

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2018
<u>Sewer Fund:</u>			
Sewer inflow (MCWT 97-30)	08/01/18	1.0 - 2.0	156,700
General obligation 2004 - sewer portion	03/15/19	2.5 - 5.0	145,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0	280,000
Sewer (MCWT 03-12A)	07/15/25	2.0	2,801,841
General obligation 2016 - sewer portion	06/30/26	2.0 - 4.0	2,285,000
Sewer (MCWT 03-12B)	07/15/26	2.0	814,149
2016 refunding - sewer portion	06/30/28	2.0 - 4.0	3,342,000
Sewer (MCWT 08-03)	07/15/28	2.0	4,390,720
Sewer (MCWT 08-03A)	07/15/30	2.0	678,370
Sewer (MCWT 03-12C)	07/15/30	2.0	225,698
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	1,300,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,425,000
Sewer (MCWT 12-01)	07/15/35	2.0	4,884,346
Sewer (MCWT 12-02)	07/15/35	2.0	6,257,555
Sewer (MCWT 12-01A)	07/15/36	2.0	662,427
Sewer (MCWT 13-01)	07/15/36	2.0	12,145,145
Sewer (MCWT 13-01A)	01/15/37	2.0	1,182,118
Total Sewer Fund			<u>42,976,069</u>
Total Business-Type Activities			<u>\$ 54,396,296</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 5,788,000</u>	<u>\$ 253,104</u>	<u>\$ 6,041,104</u>
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,983,857	715,370	4,699,227
2024 - 2028	16,986,013	2,397,289	19,383,302
2029 - 2033	9,566,609	1,033,942	10,600,551
Thereafter	4,315,209	158,331	4,473,540
Total	<u>\$ 54,396,296</u>	<u>\$ 8,051,484</u>	<u>\$ 62,447,780</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance July 1, 2017	Additions	Reductions	Total Balance June 30, 2018	Less Current Portion	Long-Term Portion June 30, 2018
<u>Governmental Activities</u>						
Bonds payable	\$ 9,728	\$ -	\$ (3,940)	\$ 5,788	(4,028)	1,760
Net pension liability	121,073	3,115	-	124,188	-	124,188
Net OPEB liability	147,412	9,058	-	156,470	-	156,470
Other:						
Loan payable	337	-	(337)	-	-	-
Accrued employee benefits	3,401	136	-	3,537	-	3,537
Capital lease obligations	738	-	(84)	654	(86)	568
Subtotal Other	4,476	136	(421)	4,191	(86)	4,105
Totals	<u>\$ 282,689</u>	<u>\$ 12,309</u>	<u>\$ (4,361)</u>	<u>\$ 290,637</u>	<u>\$ (4,114)</u>	<u>\$ 286,523</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 59,629	\$ -	\$ (5,233)	\$ 54,396	\$ (5,321)	\$ 49,075
Net pension liability	13,423	42	(140)	13,325	-	13,325
Net OPEB liability	6,995	430	-	7,425	-	7,425
Other:						
Accrued employee benefits	415	(7)	15	423	-	423
Totals	<u>\$ 80,462</u>	<u>\$ 465</u>	<u>\$ (5,358)</u>	<u>\$ 75,569</u>	<u>\$ (5,321)</u>	<u>\$ 70,248</u>

15. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

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

- Amounts in the Internal Service Fund for teachers' withholdings to be applied over July and August 2018 of \$451,207.
- Unamortized net decrease in long-term debt outstanding resulting from the City's issuance of refunding bonds in fiscal years 2006 and 2012 of \$71,498. The balance will be amortized (as a credit to annual interest expense) in fiscal year 2019.

16. Transfers

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,160,035	\$ 1,125,303
Nonmajor Governmental Funds:		
Special revenue funds	125,303	2,160,035
Capital project funds	1,000,000	-
Total	<u>\$ 3,285,338</u>	<u>\$ 3,285,338</u>

17. 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, 2018:

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 2018.

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, 2018:

	General <u>Fund</u>	Community Development <u>Block Grant</u>	City Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable					
Nonexpendable					
permanent funds	\$ -	\$ -	\$ -	\$ 2,199,270	\$ 2,199,270
Total Nonexpendable	-	-	-	2,199,270	2,199,270
Restricted					
Bonded projects	-	-	-	665,043	665,043
Special revenue funds	-	338,493	376,087	7,835,751	8,550,331
Expendable permanent funds	-	-	-	2,386,386	2,386,386
Total Restricted	-	338,493	376,087	10,887,180	11,601,760
Assigned					
Encumbrances	4,242,330	-	-	-	4,242,330
Reserved for expenditures	700,000	-	-	-	700,000
Total Assigned	4,942,330	-	-	-	4,942,330
Unassigned					
General fund	9,688,922	-	-	-	9,688,922
General stabilization fund*	6,079,799	-	-	-	6,079,799
Deficit fund balances	-	-	-	(716,001)	(716,001)
Total Unassigned	15,768,721	-	-	(716,001)	15,052,720
Total Fund Balance	\$ 20,711,051	\$ 338,493	\$ 376,087	\$ 12,370,449	\$ 33,796,080

* 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.

18. Employee Benefit Trust Funds

The Fitchburg Contributory Retirement System and the other post-employment benefits and trust fund are presented in a single column on pages 24 and 25. Details of the financial position and changes in net position are as follows:

Combining Statement of Plan Net Position

	Employment Benefits Trust Fund	Pension Trust Fund (As of December 31, 2017)	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ -	\$ 993,381	\$ 993,381
Investments in PRIT/SRBT	919,614	119,575,031	120,494,645
Accounts receivable	-	166,928	166,928
Total Assets	919,614	120,735,340	121,654,954
Net Position			
Net position restricted for:			
Pensions	-	120,735,340	120,735,340
OPEB	919,614	-	919,614
Total Net Position	\$ 919,614	\$ 120,735,340	\$ 121,654,954

Combining Statement of Changes in Plan Net Position

	Employment Benefits Trust Fund	Pension Trust Fund (For the Year Ended December 31, 2017)	Pension and OPEB Trust Funds
Additions:			
Contributions:			
Employers	\$ 5,717,426	\$ 11,497,188	\$ 17,214,614
Plan members	-	3,650,414	3,650,414
Other systems and Commonwealth of Massachusetts	-	383,728	383,728
Other	-	35,266	35,266
Total contributions	5,717,426	15,566,596	21,284,022
Investment Income:			
Interest and dividends	71,697	-	71,697
Appreciation in fair value of investments	-	18,037,913	18,037,913
Less: management fees	-	(580,926)	(580,926)
Net investment income	71,697	17,456,987	17,528,684
Total additions	5,789,123	33,023,583	38,812,706
Deductions:			
Benefit payments to plan members and beneficiaries	5,467,426	16,273,768	21,741,194
Refunds to plan members and other systems	-	208,593	208,593
Transfers to other systems	-	311,297	311,297
Administrative expenses	-	228,845	228,845
Total deductions	5,467,426	17,022,503	22,489,929
Net increase	321,697	16,001,080	16,322,777
Net Position, at Beginning of year	597,917	104,734,260	105,332,177
Net Position, at End of year	\$ 919,614	\$ 120,735,340	\$ 121,654,954

19. 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 2018 was approximately \$860,000.

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 2nd space (approximately 6,150 square feet) is \$61,500 annually. As of June 16, 2017, a 3rd 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.

20. 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 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. 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 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, 2018 was \$11,121,254, which was slightly higher than annual required contribution of \$11,096,890.

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 and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability of approximately \$138 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2018, the City's proportion was 96.43 percent.

For the year ended June 30, 2018, the City recognized pension expense of approximately \$15 million. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 5,405	\$ -
Changes of assumptions	11,583	-
Net difference between projected and actual earnings on pension plan investments	-	4,337
Changes in proportion and differences between contributions and proportionate share of contributions	-	54
Total	<u>\$ 16,988</u>	<u>\$ 4,391</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:

2019	\$ 4,140
2020	4,055
2021	2,617
2022	1,536
2023	249
Total	<u>\$ 12,597</u>

D. Actuarial Assumptions

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

Valuation Date	January 1, 2018
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.25%
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-2014 employees table projected generationally using MP-2016 and a base year of 2006 (gender distinct).
- Post-retirement rates reflect the healthy annuitant table.
- For disable retirees, the rates reflect the RP-2014 health annuitant table with a base year of 2006, set forward 2 years (gender distinct).

During the most recent valuation there were changes in assumptions, including reducing the investment rate of return from 7.75% in 2016 to 7.25% in 2018. This had the effect of increasing the System's total pension liability by \$12.7 million. Additionally, the mortality tables were updated. This had the effect of decreasing the total pension liability by approximately \$1.1 million.

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>
US Equities	17.5%	4.47%
International Equities	15.5%	4.66%
Emerging Equities	6.0%	6.12%
Core Bonds	5.0%	0.73%
20+ Yr. Treasury STRIPS	2.0%	0.49%
TIPS	5.0%	0.73%
Value-Added Fixed Income	10.0%	3.50%
Private Equity	12.0%	6.31%
Real Estate	10.0%	3.59%
Timberland	4.0%	3.16%
Portfolio Completion (PCS)	13.0%	3.44%
Total	<u>100.0%</u>	

E. Discount Rate

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

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 7.25%, 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 one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease (<u>6.25%</u>)	Current Discount Rate (<u>7.25%</u>)	1% Increase (<u>8.25%</u>)
\$165,375	\$137,513	\$113,913

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.

21. 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 standalone 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. 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 White Collar Employee table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (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, 2017 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%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.6%
Timber/natural resources	4.0%	3.2%
Hedge funds	0.0%	3.6%
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):

1% Decrease to (6.5%)	Current Discount Rate (7.5%)	1% Increase to (8.5%)
\$28,424,300	\$22,885,391	\$18,193,400

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 2017 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$117 million based on a proportionate share of 0.51%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$6 million as both a revenue and expenditure in general fund, and its portion of the collective pension expense of approximately \$12 million as both a revenue and expense in the governmental activities.

22. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2016, the City established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. General Information about the OPEB Plan

Plan Description

The City provides post-employment healthcare benefits for retired employees through the City's plan. The City provides health insurance coverage through various Blue Cross Blue Shield and MEDEX plans. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2018, 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>

B. Investments

The OPEB trust fund assets are invested in the State Retirees Benefits Trust Fund (SRBT).

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation and salary increases	3.0%
Investment rate of return	2.98%
Municipal bond rate	2.98%
Discount rate	2.98%
Healthcare cost trend rates	8.0%, decreasing to an ultimate rate of 5.0% as of 2024 and later years
Retirees' share of benefit-related costs	25% – 30%

Mortality rates were based on RP-2014 Mortality table with MP-2014 projection.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.00%	6.50%
Fixed income	23.00%	1.50%
Private equity	10.00%	6.00%
Real estate	10.00%	5.50%
Other	17.00%	0.00%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the municipal bond rate of 2.98% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018.

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows (in thousands):

Total OPEB liability	\$ 164,809
Plan fiduciary net position	<u>(915) *</u>
Net OPEB liability	<u>\$ 163,894</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.56%

* Does not include certain immaterial market value adjustments.

F. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability in fiscal year 2018 (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 155,004	\$ 598	\$ 154,406
Changes for the year:			
Service cost	5,828	-	5,828
Interest	4,747	-	4,747
Contributions - employer	-	5,717	(5,717)
Net investment income	-	67	(67)
Differences between expected and actual experience	4,697	-	4,697
Benefit payments	<u>(5,467)</u>	<u>(5,467)</u>	<u>-</u>
Net Changes	<u>9,805</u>	<u>317</u>	<u>9,488</u>
Balance, end of year	<u>\$ 164,809</u>	<u>\$ 915</u>	<u>\$ 163,894</u>

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

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

1% Decrease <u>(1.98%)</u>	Current Discount Rate <u>(2.98%)</u>	1% Increase <u>(3.98%)</u>
\$191,462	\$163,894	\$136,326

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

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

1% Decrease <u>(7.0%)</u>	Current Healthcare Cost Trend Rates <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
\$132,977	\$163,894	\$201,475

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

For the year ended June 30, 2018, the City recognized an OPEB expense of \$10,575,575. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 554	\$ -
Change in assumptions	4,143	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>44</u>
Total	<u>\$ 4,697</u>	<u>\$ 44</u>

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

<u>Year ended June 30:</u>	
2019	\$ 353
2020	353
2021	353
2022	353
2023	353
Thereafter	<u>2,888</u>
Total	<u>\$ 4,653</u>

23. 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, 2018 are as follows:

Claims liability, beginning of year	\$ 822,642
Claims incurred/recognized in fiscal year 2018	19,515,266
Claims paid in fiscal year 2018	<u>(19,467,441)</u>
Claims liability, end of year	<u>\$ 870,467</u>

24. Subsequent Events

Debt

Subsequent to June 30, 2018, the City has incurred the following additional long-term debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MA Clean Water Trust bonds:				
CWP 16-05	\$ 2,068,695	2.00%	09/12/18	07/15/38
CWP 16-10	<u>9,017,418</u>	2.00%	09/12/18	07/15/38
	<u>\$ 11,086,113</u>			

25. Commitments and Contingencies

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

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

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 Federal National Pollutant Discharge Elimination System (NPDES) permit. A 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, 2018, the City has incurred approximately \$69.4 million of engineering and construction costs related to these projects, \$55.7 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

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

JUNE 30, 2018

(Unaudited)

(Amounts expressed in thousands)

Fitchburg Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	96.43%	\$137,513	\$31,418	437.7%	45.9%
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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.51%	-	\$117,326	\$117,326	\$34,812	-	54.3%
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, 2018

(Unaudited)

(Amounts expressed in thousands)

Fitchburg Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$11,097	\$11,121	(\$24)	\$31,418	35.40%
June 30, 2017	December 31, 2016	\$10,194	\$10,220	(\$26)	\$30,723	33.26%
June 30, 2016	December 31, 2015	\$9,649	\$9,672	(\$23)	\$29,175	33.15%
June 30, 2015	December 31, 2014	\$9,096	\$9,118	(\$22)	\$27,759	32.85%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$6,334	\$6,334	-	\$34,812	18.19%
June 30, 2017	June 30, 2016	\$5,470	\$5,470	-	\$31,993	17.10%
June 30, 2016	June 30, 2015	\$5,077	\$5,077	-	\$31,490	16.12%
June 30, 2015	June 30, 2014	\$4,786	\$4,786	-	\$31,335	15.27%

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 AND 75)

(Unaudited)

(Amounts expressed in thousands)

	For the year ending June 30,	
	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 5,828	\$ 5,434
Interest on unfunded liability - time value of \$	4,747	4,868
Differences between expected and actual experience	4,697	-
Benefit payments, including refunds of member contributions	<u>(5,467)</u>	<u>(5,412)</u>
Net change in total OPEB liability	9,805	4,890
Total OPEB liability - beginning	<u>155,004</u>	<u>150,114</u>
Total OPEB liability - ending (a)	164,809	155,004
Plan fiduciary net position		
Contributions - employer	5,717	5,712
Net investment income	67 *	42
Benefit payments, including refunds of member contributions	<u>(5,467)</u>	<u>(5,412)</u>
Net change in plan fiduciary net position	317	342
Plan fiduciary net position - beginning	<u>598</u>	<u>256</u>
Plan fiduciary net position - ending (b)	<u>915</u>	<u>598</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 163,894</u>	<u>\$ 154,406</u>

* May reflect certain rounding and immaterial classification differences from page 25.

*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)

	For the year ending June 30,	
	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability		
Total OPEB liability	\$ 164,809	\$ 155,004
Plan fiduciary net position	<u>(915)</u>	<u>(598)</u>
Net OPEB liability	<u>\$ 163,894</u>	<u>\$ 154,406</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.56%	0.39%
 Schedule of Contributions	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ 10,576	\$ 10,303
Contributions in relation to the actuarially determined contribution	<u>(5,717)</u>	<u>(5,712)</u>
Contribution deficiency (excess)	<u>\$ 4,859</u>	<u>\$ 4,591</u>
 Schedule of Investment Returns	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	8.90%	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.