



## **CITY OF FITCHBURG, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## 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 (the City), as of and for the year ended June 30, 2020, (except for the Fitchburg Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

### ***Auditors' Responsibility***

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

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



evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Massachusetts, as of June 30, 2020, (except for the Fitchburg Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules 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 April 7, 2021, 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Greenfield, Massachusetts  
April 7, 2021



## 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, 2020.

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

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.

### ***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 to be 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.

### **Required Supplementary Information (Other Than MD&A)**

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.

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(132,563,964), a change of \$9,334,246, and net position in business-type activities was \$56,679,572, a change of \$4,005,769, as further discussed in the Government-Wide Financial Analysis section.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$35,890,321, a change of \$3,091,370 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,868,166, a change of \$81,077 in comparison to the prior year.

### **Government-Wide Financial Analysis**

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

<b>NET POSITION</b> (in thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 61,022	\$ 65,025	\$ 23,621	\$ 24,434	\$ 84,643	\$ 89,459
Capital assets	<u>125,072</u>	<u>96,683</u>	<u>129,373</u>	<u>126,909</u>	<u>254,445</u>	<u>223,592</u>
Total Assets	186,094	161,708	152,994	151,343	339,088	313,051
Deferred Outflows of Resources	19,481	24,178	1,443	2,110	20,924	26,288
Current liabilities	11,442	21,209	9,337	20,140	20,779	41,349
Noncurrent liabilities	<u>321,272</u>	<u>305,769</u>	<u>87,919</u>	<u>80,614</u>	<u>409,191</u>	<u>386,383</u>
Total Liabilities	332,714	326,978	97,256	100,754	429,970	427,732
Deferred Inflows of Resources	5,425	806	501	25	5,926	831
Net investment in capital assets	106,792	91,709	55,958	55,876	162,750	147,585
Restricted	13,715	12,791	-	-	13,715	12,791
Unrestricted	<u>(253,071)</u>	<u>(246,398)</u>	<u>722</u>	<u>(3,202)</u>	<u>(252,349)</u>	<u>(249,600)</u>
Total Net Position	\$ <u>(132,564)</u>	\$ <u>(141,898)</u>	\$ <u>56,680</u>	\$ <u>52,674</u>	\$ <u>(75,884)</u>	\$ <u>(89,224)</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 \$(75,884,392), a change of \$13,340,015 in comparison to the prior year.

By far the largest portion of net position, \$162,750,078, 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, \$13,715,144, 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 \$(252,349,614), primarily resulting from unfunded pension and OPEB liabilities.

# CHANGES IN NET POSITION

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 13,919	\$ 14,757	\$ 20,315	\$ 17,709	\$ 34,234	\$ 32,466
Operating grants and contributions	91,482	84,161	-	-	91,482	84,161
Capital grants and contributions	14,649	3,903	820	2,886	15,469	6,789
General revenues:						
Property taxes	56,659	54,917	-	-	56,659	54,917
Excises	4,192	4,298	-	-	4,192	4,298
Penalties, interest and other taxes	1,073	1,598	-	-	1,073	1,598
Grants and contributions not restricted to specific programs	10,752	10,838	-	-	10,752	10,838
Investment income	856	934	223	216	1,079	1,150
Miscellaneous	942	1,604	-	439	942	2,043
Total Revenues	194,524	177,010	21,358	21,250	215,882	198,260
<b>Expenses</b>						
General government	9,076	11,082	-	-	9,076	11,082
Public safety	30,000	28,118	-	-	30,000	28,118
Education	121,756	118,264	-	-	121,756	118,264
Public works	8,815	11,912	-	-	8,815	11,912
Health and human services	5,370	5,478	-	-	5,370	5,478
Culture and recreation	2,469	2,796	-	-	2,469	2,796
Miscellaneous	1,129	1,099	-	-	1,129	1,099
Interest on long-term debt	461	203	-	-	461	203
Intergovernmental	6,114	5,872	-	-	6,114	5,872
Water operations	-	-	6,625	8,015	6,625	8,015
Sewer operations	-	-	10,727	10,315	10,727	10,315
Total Expenses	185,190	184,824	17,352	18,330	202,542	203,154
Change in Net Position	9,334	(7,814)	4,006	2,920	13,340	(4,894)
Net Position - Beginning of Year	(141,898)	(134,084)	52,674	49,754	(89,224)	(84,330)
Net Position - End of Year	\$ (132,564)	\$ (141,898)	\$ 56,680	\$ 52,674	\$ (75,884)	\$ (89,224)

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$9,334,246. Key elements of this change are as follows:

General fund operations	\$ 1,340,100
Major fund - CDBG fund expenditures in excess of revenues	(9,174)
Major fund - City grants fund revenues in excess of expenditures	189,683
Non-major fund revenues and other financing sources in excess of expenditures and other financing uses	1,570,761
Internal service fund revenues in excess of expenditures	2,140,497
Depreciation expense in excess of principal debt service	(5,258,525)
Capital assets purchases	34,602,815
Issuance of bonds	(13,550,000)
Bond premiums	(1,459,853)
Change in net pension liability, net of deferrals	(3,665,775)
Change in net OPEB liability, net of deferrals	(7,403,566)
Other	837,283
Total	<u>\$ 9,334,246</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$4,005,769. Key elements of this change are as follows:

Water operations	\$ 622,188
Sewer operations	<u>3,383,581</u>
Total	<u>\$ 4,005,769</u>

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

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

### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,868,166, while total fund balance was \$22,705,304. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
General fund	\$ 9,653,688	\$ 10,178,310	\$ (524,622)	7.2%
Stabilization fund	<u>7,214,478</u>	<u>6,608,779</u>	<u>605,699</u>	<u>5.4%</u>
Total Unassigned Fund Balance	\$ 16,868,166	\$ 16,787,089	\$ 81,077	12.6%
Total Fund Balance	\$ 22,705,304	\$ 21,365,204	\$ 1,340,100	16.9%

\* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$7,138,042.

The total fund balance of the general fund increased by \$1,340,100 during the current fiscal year. Key elements of this change are as follows:

#### General Fund Operating Results:

Excess of tax collections compared to budget	\$ 615,962
State and local revenues over budget	1,417,937
Budgetary appropriations unspent by departments	3,082,187
Use of free cash and overlay surplus as a funding source for nonrecurring expenses	(7,165,708)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	2,784,023
Change in Stabilization fund	<u>605,699</u>
Total	\$ <u>1,340,100</u>

### *Non-Major Governmental Funds*

The non-major fund balance changed by \$1,570,761 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

### *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 \$721,990, a change of \$3,924,296 in comparison to the prior year.

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

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$3,360,492, which was all funded by free cash. Major reasons for these amendments include:

Increase in general government appropriations	\$ 930,753
Increase in fire and police department appropriations	398,253
Decrease in education appropriations	(20,000)
Increase in department of public works appropriations	1,282,500
Increase in various other departmental appropriations	124,986
Transfer to non-major governmental funds	<u>644,000</u>
Total	<u>\$ 3,360,492</u>

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year end amounted to \$254,445,483 (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	\$ (6,046,025)
Depreciation expense - business-type activities	(4,323,181)
Loss on disposition of assets - governmental activities	(166,900)
Loss on disposition of assets - business-type activities	(4,706)
<b>Infrastructure</b>	
Street improvements	1,080,498
Water mains and hydrants	242,750
Sewer manholes	328,101
<b>Building and improvements</b>	
Foreclosed buildings	525,400
Fitchburg High School window refurbishings	129,600
<b>Departmental vehicles and equipment</b>	
Public safety	1,240,423
Public works	551,937
Culture and recreation	93,670
Sewer	667,381
Water	286,601
<b>Land</b>	
Foreclosed properties	315,100
Twin City rail trail	80,820
Other land	65,000
<b>Construction in progress</b>	
East Plant facility	3,048,528
City Hall renovations	15,340,344
Longsjo school roof	659,953
Airport runway	13,741,171
Water meter upgrade	1,830,405
Other projects	1,167,256

Additional information on capital assets can be found in the Notes to the Financial Statements.

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$87,790,874, all of which was backed by the full faith and credit of the government.

Additional information on 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  
718 Main Street  
Fitchburg, MA 01420



**CITY OF FITCHBURG, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 33,998,574	\$ 19,256,608	\$ 53,255,182
Investments	11,740,853	-	11,740,853
Receivables, net of allowance for uncollectibles:			
Property taxes	2,298,890	-	2,298,890
Excises	993,650	-	993,650
User fees	-	4,088,032	4,088,032
Departmental and other	117,038	-	117,038
Intergovernmental	8,271,223	276,684	8,547,907
Other assets	<u>1,426,994</u>	<u>-</u>	<u>1,426,994</u>
Total Current Assets	58,847,222	23,621,324	82,468,546
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	720,769	-	720,769
Loans	1,453,884	-	1,453,884
Land and construction in progress	39,730,988	28,228,325	67,959,313
Capital assets, net of accumulated depreciation	<u>85,341,348</u>	<u>101,144,822</u>	<u>186,486,170</u>
Total Noncurrent Assets	<u>127,246,989</u>	<u>129,373,147</u>	<u>256,620,136</u>
Total Assets	186,094,211	152,994,471	339,088,682
<b>Deferred Outflows of Resources</b>			
Related to pensions	8,935,236	934,680	9,869,916
Related to OPEB	<u>10,546,216</u>	<u>507,838</u>	<u>11,054,054</u>
Total Deferred Outflows of Resources	19,481,452	1,442,518	20,923,970

(continued)

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 3,419,413	\$ 317,521	\$ 3,736,934
Accounts payable	75,112	-	75,112
Accrued payroll and withholdings	3,913,198	-	3,913,198
Accrued interest payable	-	587,092	587,092
Accrued claims payable	1,055,502	-	1,055,502
Notes payable	600,000	1,763,433	2,363,433
Other current liabilities	755,455	-	755,455
Current portion of long-term liabilities:			
Bonds payable	1,532,993	6,669,313	8,202,306
Capital lease	<u>90,782</u>	<u>-</u>	<u>90,782</u>
Total Current Liabilities	11,442,455	9,337,359	20,779,814
Noncurrent:			
Bonds payable, net of current portion	15,736,860	65,844,476	81,581,336
Net pension liability	125,575,102	13,135,916	138,711,018
Net OPEB liability	175,798,531	8,465,327	184,263,858
Compensated absences	3,772,190	473,353	4,245,543
Capital lease, net of current portion	<u>389,078</u>	<u>-</u>	<u>389,078</u>
Total Noncurrent Liabilities	<u>321,271,761</u>	<u>87,919,072</u>	<u>409,190,833</u>
Total Liabilities	332,714,216	97,256,431	429,970,647
<b>Deferred Inflows of Resources</b>			
Related to pensions	4,667,056	488,202	5,155,258
Related to OPEB	265,497	12,784	278,281
Other	<u>492,858</u>	<u>-</u>	<u>492,858</u>
Total Deferred Inflows of Resources	5,425,411	500,986	5,926,397
<b>Net Position</b>			
Net investment in capital assets	106,792,496	55,957,582	162,750,078
Restricted for:			
Grants and other statutory restrictions	8,591,606	-	8,591,606
Permanent funds:			
Nonexpendable	2,267,738	-	2,267,738
Expendable	2,855,800	-	2,855,800
Unrestricted	<u>(253,071,604)</u>	<u>721,990</u>	<u>(252,349,614)</u>
Total Net Position	\$ <u><u>(132,563,964)</u></u>	\$ <u><u>56,679,572</u></u>	\$ <u><u>(75,884,392)</u></u>

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Activities</u>	<u>Type Activities</u>	
<b>Governmental Activities</b>							
General government	\$ 9,075,820	\$ 2,932,176	\$ 2,275,720	\$ 698,910	\$ (3,169,014)	\$ -	\$ (3,169,014)
Public safety	30,000,045	2,829,230	2,027,669	-	(25,143,146)	-	(25,143,146)
Education	121,756,747	3,830,304	85,617,958	18,556	(32,289,929)	-	(32,289,929)
Public works	8,815,263	872,434	389,485	13,783,654	6,230,310	-	6,230,310
Health and human services	5,369,745	3,290,128	937,000	125,318	(1,017,299)	-	(1,017,299)
Culture and recreation	2,468,935	164,978	233,806	22,835	(2,047,316)	-	(2,047,316)
Miscellaneous	1,129,042	-	-	-	(1,129,042)	-	(1,129,042)
Interest on long-term debt	461,260	-	-	-	(461,260)	-	(461,260)
Intergovernmental	<u>6,114,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,114,409)</u>	<u>-</u>	<u>(6,114,409)</u>
Total Governmental Activities	185,191,266	13,919,250	91,481,638	14,649,273	(65,141,105)	-	(65,141,105)
<b>Business-Type Activities</b>							
Water operations	6,624,591	6,413,724	-	799,145	-	588,278	588,278
Sewer operations	<u>10,727,307</u>	<u>13,900,599</u>	<u>-</u>	<u>20,965</u>	<u>-</u>	<u>3,194,257</u>	<u>3,194,257</u>
Total Business-Type Activities	<u>17,351,898</u>	<u>20,314,323</u>	<u>-</u>	<u>820,110</u>	<u>-</u>	<u>3,782,535</u>	<u>3,782,535</u>
Total	<u>\$ 202,543,164</u>	<u>\$ 34,233,573</u>	<u>\$ 91,481,638</u>	<u>\$ 15,469,383</u>	(65,141,105)	3,782,535	(61,358,570)
<b>General Revenues</b>							
Property taxes					56,658,663	-	56,658,663
Excises					4,192,472	-	4,192,472
Penalties, interest and other taxes					1,073,376	-	1,073,376
Grants and contributions not restricted to specific programs					10,751,960	-	10,751,960
Investment income					856,394	223,234	1,079,628
Miscellaneous					<u>942,486</u>	<u>-</u>	<u>942,486</u>
Total General Revenues					<u>74,475,351</u>	<u>223,234</u>	<u>74,698,585</u>
Change in Net Position					9,334,246	4,005,769	13,340,015
<b>Net Position</b>							
Beginning of Year					<u>(141,898,210)</u>	<u>52,673,803</u>	<u>(89,224,407)</u>
End of Year					<u>\$ (132,563,964)</u>	<u>\$ 56,679,572</u>	<u>\$ (75,884,392)</u>

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2020

	General Fund	Community Development Block Grant Fund	City Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and short-term investments	\$ 19,205,373	\$ 340,963	\$ 218,565	\$ 6,599,682	\$ 26,364,583
Investments	7,163,629	-	-	4,577,224	11,740,853
Receivables:					
Property taxes	2,478,254	-	-	-	2,478,254
Excises	1,617,252	-	-	-	1,617,252
Departmental and other, net of allowance for uncollectibles	66,217	-	-	50,821	117,038
Intergovernmental	1,269,651	1,791,260	728,231	4,261,098	8,050,240
Tax title and demolition liens	3,095,203	-	-	-	3,095,203
Loans, net of allowance for uncollectibles	-	1,433,336	8,425,947	-	9,859,283
Other assets	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
<b>Total Assets</b>	<b>\$ <u>34,955,579</u></b>	<b>\$ <u>3,565,559</u></b>	<b>\$ <u>9,372,743</u></b>	<b>\$ <u>15,488,825</u></b>	<b>\$ <u>63,382,706</u></b>
<b>Liabilities</b>					
Warrants payable	\$ 732,075	\$ 25,221	\$ 431,158	\$ 2,230,959	\$ 3,419,413
Accounts payable	75,112	-	-	-	75,112
Accrued payroll and withholdings	3,659,790	-	-	253,408	3,913,198
Notes payable	-	-	-	600,000	600,000
Other liabilities	<u>755,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,455</u>
<b>Total Liabilities</b>	<b>5,222,432</b>	<b>25,221</b>	<b>431,158</b>	<b>3,084,367</b>	<b>8,763,178</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	7,027,843	3,224,596	8,425,947	50,821	18,729,207
<b>Fund Balances</b>					
Nonspendable	-	-	-	2,267,738	2,267,738
Restricted	-	315,742	865,396	11,932,102	13,113,240
Assigned	5,837,138	-	-	-	5,837,138
Unassigned	<u>16,868,166</u>	<u>-</u>	<u>(349,758)</u>	<u>(1,846,203)</u>	<u>14,672,205</u>
<b>Total Fund Balances</b>	<b><u>22,705,304</u></b>	<b><u>315,742</u></b>	<b><u>515,638</u></b>	<b><u>12,353,637</u></b>	<b><u>35,890,321</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ <u>34,955,579</u></b>	<b>\$ <u>3,565,559</u></b>	<b>\$ <u>9,372,743</u></b>	<b>\$ <u>15,488,825</u></b>	<b>\$ <u>63,382,706</u></b>

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2020

<b>Total Governmental Fund Balances</b>	\$ 35,890,321
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li></ul>	125,072,336
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.</li></ul>	7,146,408
<ul style="list-style-type: none"><li>• 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.</li></ul>	7,673,608
<ul style="list-style-type: none"><li>• 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.</li></ul>	(304,094,587)
<ul style="list-style-type: none"><li>• Other.</li></ul>	<u>(4,252,050)</u>
<b>Net Position of Governmental Activities</b>	\$ <u><u>(132,563,964)</u></u>

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>City Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 55,342,815	\$ -	\$ -	\$ -	\$ 55,342,815
Excises	4,110,633	-	-	-	4,110,633
Penalties, interest and other taxes	1,073,376	-	-	-	1,073,376
Charges for services	6,291,322	-	-	1,054,508	7,345,830
Intergovernmental	75,755,287	698,910	3,868,515	27,787,287	108,109,999
Licenses and permits	928,108	-	-	-	928,108
Fines and forfeitures	150,306	-	-	-	150,306
Investment income	562,699	-	146	244,916	807,761
Miscellaneous	<u>444,369</u>	<u>164,892</u>	<u>-</u>	<u>6,500</u>	<u>615,761</u>
Total Revenues	144,658,915	863,802	3,868,661	29,093,211	178,484,589
<b>Expenditures</b>					
Current:					
General government	4,785,454	872,976	575,099	16,004,907	22,238,436
Public safety	17,557,345	-	1,948,842	324,677	19,830,864
Education	69,483,516	-	-	13,396,121	82,879,637
Public works	4,818,106	-	867,765	14,561,873	20,247,744
Health and human services	4,014,172	-	249,871	37,440	4,301,483
Culture and recreation	1,396,435	-	37,401	104,966	1,538,802
Employee benefits	30,791,023	-	-	-	30,791,023
Miscellaneous	1,129,042	-	-	-	1,129,042
Debt service:					
Principal	787,500	-	-	-	787,500
Interest	534,253	-	-	-	534,253
Intergovernmental	<u>6,114,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,114,409</u>
Total Expenditures	<u>141,411,255</u>	<u>872,976</u>	<u>3,678,978</u>	<u>44,429,984</u>	<u>190,393,193</u>
Excess (Deficiency) of Revenues Over Expenditures	3,247,660	(9,174)	189,683	(15,336,773)	(11,908,604)
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	13,550,000	13,550,000
Bond premiums	-	-	-	1,449,974	1,449,974
Transfers in	287,775	-	-	2,195,335	2,483,110
Transfers out	<u>(2,195,335)</u>	<u>-</u>	<u>-</u>	<u>(287,775)</u>	<u>(2,483,110)</u>
Total Other Financing Sources (Uses)	<u>(1,907,560)</u>	<u>-</u>	<u>-</u>	<u>16,907,534</u>	<u>14,999,974</u>
Change in Fund Balance	1,340,100	(9,174)	189,683	1,570,761	3,091,370
Fund Balance, at Beginning of Year, as reclassified	<u>21,365,204</u>	<u>324,916</u>	<u>325,955</u>	<u>10,782,876</u>	<u>32,798,951</u>
Fund Balance, at End of Year	\$ <u>22,705,304</u>	\$ <u>315,742</u>	\$ <u>515,638</u>	\$ <u>12,353,637</u>	\$ <u>35,890,321</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, 2020

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,091,370</b>																
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital asset purchases</td><td style="text-align: right;">34,602,815</td></tr> <tr> <td>Net effect on disposal of assets</td><td style="text-align: right;">(166,900)</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(6,046,025)</td></tr> </table> </li> <li>The issuance of long-term debt (e.g., bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of debt, including premiums</td><td style="text-align: right;">(15,009,853)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">787,500</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, loans, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <div style="text-align: right;">1,207,063</div> </li> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Change in pension expense from GASB 68</td><td style="text-align: right;">(3,665,775)</td></tr> <tr> <td>Change in OPEB expense from GASB 75</td><td style="text-align: right;">(7,403,566)</td></tr> <tr> <td>Other</td><td style="text-align: right;">(202,880)</td></tr> </table> </li> <li>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>2,140,497</u></div> </li> </ul>	Capital asset purchases	34,602,815	Net effect on disposal of assets	(166,900)	Depreciation	(6,046,025)	Issuance of debt, including premiums	(15,009,853)	Repayments of debt	787,500	Change in pension expense from GASB 68	(3,665,775)	Change in OPEB expense from GASB 75	(7,403,566)	Other	(202,880)	
Capital asset purchases	34,602,815																
Net effect on disposal of assets	(166,900)																
Depreciation	(6,046,025)																
Issuance of debt, including premiums	(15,009,853)																
Repayments of debt	787,500																
Change in pension expense from GASB 68	(3,665,775)																
Change in OPEB expense from GASB 75	(7,403,566)																
Other	(202,880)																
<b>Changes in Net Position of Governmental Activities</b>	<b>\$ <u><u>9,334,246</u></u></b>																

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>	Internal Service <u>Funds</u>
<b>Assets</b>				
Current:				
Cash and short-term investments	\$ 2,916,707	\$ 16,339,901	\$ 19,256,608	\$ 7,633,991
User fees, net of allowance for uncollectibles	1,514,501	2,573,531	4,088,032	-
Intergovernmental receivables	-	276,684	276,684	220,983
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,366,994</u>
Total Current Assets	4,431,208	19,190,116	23,621,324	9,221,968
Noncurrent:				
Land and construction in progress	3,965,246	24,263,079	28,228,325	-
Capital assets, net of accumulated depreciation	<u>40,269,451</u>	<u>60,875,371</u>	<u>101,144,822</u>	<u>-</u>
Total Noncurrent Assets	<u>44,234,697</u>	<u>85,138,450</u>	<u>129,373,147</u>	<u>-</u>
Total Assets	48,665,905	104,328,566	152,994,471	9,221,968
<b>Deferred Outflows of Resources</b>				
Related to pensions	404,666	530,014	934,680	-
Related to OPEB	<u>216,573</u>	<u>291,265</u>	<u>507,838</u>	<u>-</u>
Total Deferred Outflows of Resources	621,239	821,279	1,442,518	-

(continued)

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



**CITY OF FITCHBURG, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

(continued)

	Business-Type Activities Enterprise Funds			Governmental Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Liabilities</b>				
Current:				
Warrants payable	\$ 58,425	\$ 259,096	\$ 317,521	\$ -
Accrued interest payable	-	587,092	587,092	-
Accrued claims payable	-	-	-	1,055,502
Notes payable	-	1,763,433	1,763,433	-
Current portion of long-term liabilities:				
Bonds payable	<u>2,736,741</u>	<u>3,932,572</u>	<u>6,669,313</u>	<u>-</u>
Total Current Liabilities	2,795,166	6,542,193	9,337,359	1,055,502
Noncurrent:				
Bonds payable, net of current portion	10,066,346	55,778,130	65,844,476	-
Net pension liability	5,687,144	7,448,772	13,135,916	-
Net OPEB liability	3,610,135	4,855,192	8,465,327	-
Compensated absences	<u>203,271</u>	<u>270,082</u>	<u>473,353</u>	<u>-</u>
Total Noncurrent Liabilities	<u>19,566,896</u>	<u>68,352,176</u>	<u>87,919,072</u>	<u>-</u>
Total Liabilities	22,362,062	74,894,369	97,256,431	1,055,502
<b>Deferred Inflows of Resources</b>				
Related to pensions	211,365	276,837	488,202	-
Related to OPEB	5,452	7,332	12,784	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,858</u>
Total Deferred Inflows of Resources	216,817	284,169	500,986	492,858
<b>Net Position</b>				
Net investment in capital assets	31,431,610	24,525,972	55,957,582	-
Unrestricted	<u>(4,723,345)</u>	<u>5,445,335</u>	<u>721,990</u>	<u>7,673,608</u>
Total Net Position	\$ <u>26,708,265</u>	\$ <u>29,971,307</u>	\$ <u>56,679,572</u>	\$ <u>7,673,608</u>

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, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
<b>Operating Revenues</b>				
Charges for services	\$ 6,413,724	\$ 13,900,599	\$ 20,314,323	\$ -
Employee contributions	-	-	-	5,569,584
Employer contributions	-	-	-	15,401,957
Miscellaneous	-	-	-	409,597
	<hr/>	<hr/>	<hr/>	
Total Operating Revenues	6,413,724	13,900,599	20,314,323	21,381,138
<b>Operating Expenses</b>				
Salary and benefits	1,782,596	2,236,081	4,018,677	-
Operating expenses	1,352,455	1,952,695	3,305,150	-
Depreciation	1,815,273	2,507,908	4,323,181	-
Administrative assessments	920,000	1,150,000	2,070,000	-
Employee benefits	-	-	-	19,289,274
Other	589,008	1,504,785	2,093,793	-
	<hr/>	<hr/>	<hr/>	
Total Operating Expenses	6,459,332	9,351,469	15,810,801	19,289,274
Operating Income (Loss)	(45,608)	4,549,130	4,503,522	2,091,864
<b>Nonoperating Revenues (Expenses)</b>				
Intergovernmental revenue	799,145	20,965	820,110	-
Investment income	33,910	189,324	223,234	48,633
Miscellaneous	-	-	-	-
Interest expense	(165,259)	(1,375,838)	(1,541,097)	-
	<hr/>	<hr/>	<hr/>	
Total Nonoperating Revenues (Expenses), Net	667,796	(1,165,549)	(497,753)	48,633
Change in Net Position	622,188	3,383,581	4,005,769	2,140,497
Net Position, at Beginning of Year	26,086,077	26,587,726	52,673,803	5,533,111
Net Position, at End of Year	\$ <u>26,708,265</u>	\$ <u>29,971,307</u>	\$ <u>56,679,572</u>	\$ <u>7,673,608</u>

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, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Total	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 6,272,890	\$ 13,532,233	\$ 19,805,123	\$ -
Receipts from employees and employer	-	-	-	21,810,481
Payments to employees	(2,524,164)	(3,223,288)	(5,747,452)	-
Payments to vendors	(1,938,211)	(3,893,279)	(5,831,490)	-
Payments of employee benefits and expenses	-	-	-	(21,540,012)
Net Cash Provided By Operating Activities	1,810,515	6,415,666	8,226,181	270,469
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(2,618,891)	(4,168,526)	(6,787,417)	-
Capital contributions	319,672	20,965	340,637	-
Proceeds of governmental loans	-	3,169,311	3,169,311	-
Proceeds of bonds	3,562,915	-	3,562,915	-
Proceeds of notes	-	12,671,582	12,671,582	-
Principal payments on bonds and notes	(5,439,555)	(14,636,052)	(20,075,607)	-
Interest paid	(207,164)	(1,213,117)	(1,420,281)	-
Net Cash (Used For) Capital and Related Financing Activities	(4,383,023)	(4,155,837)	(8,538,860)	-
<b>Cash Flows From Investing Activities</b>				
Investment income	33,910	189,324	223,234	48,633
Net Cash Provided By Investing Activities	33,910	189,324	223,234	48,633
Net Change in Cash and Short-Term Investments	(2,538,598)	2,449,153	(89,445)	319,102
Cash and Short-Term Investments, Beginning of Year	5,455,305	13,890,748	19,346,053	7,314,889
Cash and Short-Term Investments, End of Year	\$ 2,916,707	\$ 16,339,901	\$ 19,256,608	\$ 7,633,991

(continued)

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, 2020

(continued)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b>				
Operating income (loss)	\$ (45,608)	\$ 4,549,130	\$ 4,503,522	\$ 2,091,864
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,815,273	2,507,908	4,323,181	-
Changes in assets and liabilities and deferred outflows/inflows:				
User fee / other receivables	(150,834)	(368,366)	(519,200)	356,111
Other assets	-	-	-	(1,366,994)
Deferred outflows - related to pensions	326,381	441,235	767,616	-
Deferred outflows - related to OPEB	(42,538)	(57,210)	(99,748)	-
Warrants and other payables	3,252	(435,799)	(432,547)	(883,744)
Accrued / other liabilities	9,082	38,693	47,775	73,232
Net pension liability	(515,808)	(792,296)	(1,308,104)	-
Net OPEB liability	195,015	262,271	457,286	-
Deferred inflows - related to pensions	206,740	270,692	477,432	-
Deferred inflows - related to OPEB	(440)	(592)	(1,032)	-
Net Cash Provided By Operating Activities	\$ <u>1,800,515</u>	\$ <u>6,415,666</u>	\$ <u>8,216,181</u>	\$ <u>270,469</u>

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

**CITY OF FITCHBURG, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	Pension and OPEB <u>Trust Funds</u>
<b>Assets</b>	
Cash and short-term investments	\$ 1,700,666
Investments in external investment pools	133,764,339
Accounts receivable	<u>95,714</u>
Total Assets	135,560,719
<b>Liabilities</b>	
Accounts payable	46,374
<b>Net Position</b>	
Restricted for pension purposes	134,009,248
Restricted for OPEB purposes	<u>1,505,097</u>
Total Net Position	\$ <u><u>135,514,345</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, 2020

	Pension and OPEB <u>Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employers	\$ 18,878,855
Plan members	4,029,560
Other systems and Commonwealth of Massachusetts	398,074
Other	<u>32,812</u>
Total Contributions	23,339,301
Investment Income:	
Interest and dividends	20,067
Appreciation in fair value of investments	18,968,670
Less: Management fees	<u>(634,961)</u>
Net Investment Income	<u>18,353,776</u>
Total Additions	41,693,077
<b>Deductions</b>	
Benefit payments to plan members and beneficiaries	22,448,216
Refunds to plan members	387,769
Transfers to other systems	436,243
Administrative expenses	<u>224,733</u>
Total Deductions	<u>23,496,961</u>
Net Increase	18,196,116
<b>Net Position Restricted for Pensions and OPEB Purposes</b>	
Beginning of Year	<u>117,318,229</u>
End of Year	\$ <u><u>135,514,345</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:

##### ***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 2020, 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 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, 718 Main Street, Suite 310A, Fitchburg, MA 01420.

##### ***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.

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.

#### ***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.

### ***Cash and 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. Generally, 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".

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

The City's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of the GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and investments are valued at amortized cost.

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 are carried at fair value, except certificates of deposit, which are reported at cost.

#### ***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% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$5,193. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

#### ***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.

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

### ***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, 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.

### ***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.

### ***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.

### ***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**

### ***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.

**Deficit Fund Equity**

Certain individual funds reflected deficit balances as of June 30, 2020:

City Grants Major Fund:	\$ (349,758)
Nonmajor Funds	
Special revenue funds	(1,316,076)
Capital project funds	<u>(530,127)</u>
Total Nonmajor Funds	\$ <u><u>(1,846,203)</u></u>

It is anticipated that the deficits in these funds will be eliminated through future inter-governmental revenues and bond proceeds.

**3. Deposits and Investments – City (Excluding the Pension and OPEB Trust Funds)**

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. 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, 2020, none of the City's bank balance of \$60,430,134 was exposed to custodial credit risk as uninsured and uncollateralized. In addition, the City had \$43,675 held in MMDT at June 30, 2020.

### ***Investment Summary***

The following is a summary of the City's investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 1,379
Corporate bonds	4,168
Corporate equities	741
Equity mutual funds	272
U.S. Treasury and agencies	<u>5,181</u>
Total Investments	<u>\$ 11,741</u>

### ***Custodial Credit Risk – Investments***

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, the City will not be able to recover the value of its investment or collateral securities that are in possession of another party. The City's investment policy manages custodial credit risk by the diversification and prudent selection of investment instruments and choice of depository. The City manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2020, \$1,640,625 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the City's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
Corporate bonds	\$ 4,168	\$ 627	\$ -
Corporate equities	741	741	-
Equity mutual funds	272	272	-
U.S Treasury and agencies	<u>5,181</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,362</u>	<u>\$ 1,640</u>	<u>\$ -</u>

### ***Credit Risk – Investments of Debt Securities***

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

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the City's debt securities are as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>						
		<u>AAA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB-</u>
Corporate bonds	\$ <u>4,168</u>	\$ <u>308</u>	\$ <u>364</u>	\$ <u>716</u>	\$ <u>895</u>	\$ <u>103</u>	\$ <u>1,767</u>	\$ <u>15</u>

#### ***Concentration of Credit Risk – Investments***

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City places no limit on the amount invested in any one issuer. The City does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2020, the City does not have investments in any one issuer that exceeded 5% of total investments.

#### ***Interest Rate Risk – Investments of Debt Securities***

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.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 4,168	\$ 732	\$ 3,436	\$ -
U.S. Treasury and agencies	<u>5,181</u>	<u>1,148</u>	<u>3,070</u>	<u>963</u>
Total	\$ <u>9,349</u>	\$ <u>1,880</u>	\$ <u>6,506</u>	\$ <u>963</u>

#### ***Foreign Currency Risk – Investments***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not have formal investment policies related to foreign currency risk.

#### ***Fair Value***

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The City has the following fair value measurements as of June 30, 2020 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment Type	Amount			
Investments by fair value level:				
Corporate bonds	\$ 4,168	\$ -	\$ 4,168	\$ -
Corporate equities	741	741	-	-
Equity mutual funds	272	272	-	-
U.S. Treasury and agencies	<u>5,181</u>	-	5,181	-
Total	<u>\$ 10,362</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities



relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

#### 4. Investments – OPEB Trust Fund

Generally, the City’s OPEB investment policies mirror that of the City as discussed in the previous note.

All of the OPEB Trust Fund assets are invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

##### ***Custodial Credit Risk***

All of the OPEB Trust Funds investments are exempt from custodial credit risk disclosures as they are invested in SRBT.

##### ***Credit Risk***

All of the OPEB Trust Funds investments are exempt from credit risk disclosure as they are invested in SRBT.

##### ***Concentration of Credit Risk***

All of the OPEB Trust Funds investments are exempt from concentration of credit risk disclosure as they are invested in SRBT.

##### ***Interest Rate Risk***

All of the OPEB Trust Funds investments are exempt from interest rate risk disclosure as they are invested in SRBT.

##### ***Foreign Currency Risk***

All of the OPEB Trust Funds investments are exempt from foreign currency risk disclosure as they are invested in SRBT, which does not invest in foreign investments.

##### ***Fair Value***

The OPEB Trust Fund investments are in SRBT which are measured at net asset value and are not subject to fair value measurement.

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>1,505</u>	\$ <u>-</u>	Monthly	30 days

## 5. Investments – Pension Trust Fund (the System)

All of the Fitchburg's Contributory Retirement System's (the System) investments totaling \$132,259,242 are in an external State investment pool (PRIT).\*

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

### **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 System does not have formal investment policies related to custodial credit risk but manages custodial risk through diversification and the "prudent person" principles outlines in PERAC guidelines.

The System's investments of \$132,259,242 are held in the State investment pool which is exempt from the custodial risk disclosure.

Investments in the State investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

Due to their nature, none of the System's investments are subject to credit risk disclosure.

### **Concentration of Credit Risk**

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

As of December 31, 2019, the System did not have any investments subject to concentration of credit risk disclosure as all of the investments are in the State investment pool, which is excluded from concentration of credit disclosure.

**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 System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk.

**Fair Value**

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

All of the System's investments are in an external investment pool which are measured at net asset value (NAV), not fair market value. The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following additional disclosures as of December 31, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External Investment Pool	\$ <u>132,259</u>	\$ <u>-</u>	Monthly	30 days

**6. Property Taxes and Excises Receivables**

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

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, 2020 consists of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 2,270,967	\$ (39,852)	\$ 2,231,115	\$ -
Personal property taxes	207,287	(139,512)	67,775	-
Tax liens	2,056,245	(1,439,372)	-	616,873
Demo tax title	915,208	(823,687)	-	91,521
Demo liens	<u>123,750</u>	<u>(111,375)</u>	<u>-</u>	<u>12,375</u>
Total Property Taxes	\$ <u>5,573,457</u>	\$ <u>(2,553,798)</u>	\$ <u>2,298,890</u>	\$ <u>720,769</u>
Motor vehicle excise	\$ <u>1,617,252</u>	\$ <u>(623,602)</u>	\$ <u>993,650</u>	\$ <u>-</u>

## 7. User Fee Receivables

Receivables for user charges and betterments at June 30, 2020 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
<u>Receivables</u>			
Water	\$ 1,725,504	\$ (211,003)	\$ 1,514,501
Sewer	<u>2,992,168</u>	<u>(418,637)</u>	<u>2,573,531</u>
Total	\$ <u>4,717,672</u>	\$ <u>(629,640)</u>	\$ <u>4,088,032</u>

## 8. Intergovernmental Receivables

This balance reported represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

## 9. 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, 2020 consist of the following:

	Total Loan <u>Balance</u>	Less Allowance for <u>Uncollectibles</u>	Net <u>Amount</u>
CDBG - consumer loans	\$ 501,359	\$ (100,272)	\$ 401,087
CDBG - mortgage/financing loans	45,129	-	45,129
CDBG - deferred payment loans	886,848	(886,848)	-
HOME - mortgage/financing loans	1,259,585	(251,917)	1,007,668
Other City grants - deferred payment loans	<u>7,166,362</u>	<u>(7,166,362)</u>	<u>-</u>
Total	<u>\$ 9,859,283</u>	<u>\$ (8,405,399)</u>	<u>\$ 1,453,884</u>

## 10. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Governmental Activities</b>					
Capital assets, being depreciated:					
Land improvements	\$ 14,128	\$ -	\$ -	\$ -	\$ 14,128
Buildings and improvements	88,370	655	-	2,815	91,840
Machinery, equipment, and furnishings	24,861	1,886	(36)	-	26,711
Infrastructure	<u>81,258</u>	<u>1,080</u>	<u>(498)</u>	<u>-</u>	<u>81,840</u>
Total Capital Assets, Being Depreciated	208,617	3,621	(534)	2,815	214,519
Less accumulated depreciation for:					
Land improvements	(6,358)	(378)	-	-	(6,736)
Buildings and improvements	(48,774)	(2,618)	-	-	(51,392)
Machinery, equipment, and furnishings	(19,466)	(1,514)	36	-	(20,944)
Infrastructure	<u>(49,068)</u>	<u>(1,536)</u>	<u>498</u>	<u>-</u>	<u>(50,106)</u>
Total Accumulated Depreciation	<u>(123,666)</u>	<u>(6,046)</u>	<u>534</u>	<u>-</u>	<u>(129,178)</u>
Total Capital Assets, Being Depreciated, Net	84,951	(2,425)	-	2,815	85,341
Capital assets, not being depreciated:					
Land	6,685	396	(167)	-	6,914
Construction in progress (CIP)	<u>5,046</u>	<u>30,586</u>	<u>-</u>	<u>(2,815)</u>	<u>32,817</u>
Total Capital Assets, Not Being Depreciated	<u>11,731</u>	<u>30,982</u>	<u>(167)</u>	<u>(2,815)</u>	<u>39,731</u>
Governmental Activities Capital Assets, Net	<u>\$ 96,682</u>	<u>\$ 28,557</u>	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ 125,072</u>
<b>Business-Type Activities</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 109,559	\$ -	\$ -	\$ -	\$ 109,559
Machinery, equipment, and furnishings	8,390	954	-	-	9,344
Infrastructure	<u>71,858</u>	<u>570</u>	<u>(13)</u>	<u>-</u>	<u>72,415</u>
Total Capital Assets, Being Depreciated	189,807	1,524	(13)	-	191,318
Less accumulated depreciation for:					
Buildings and improvements	(59,807)	(2,660)	-	-	(62,467)
Machinery, equipment, and furnishings	(5,227)	(573)	-	-	(5,800)
Infrastructure	<u>(20,825)</u>	<u>(1,090)</u>	<u>8</u>	<u>-</u>	<u>(21,907)</u>
Total Accumulated Depreciation	<u>(85,859)</u>	<u>(4,323)</u>	<u>8</u>	<u>-</u>	<u>(90,174)</u>
Total Capital Assets, Being Depreciated, Net	103,948	(2,799)	(5)	-	101,144
Capital assets, not being depreciated:					
Land	2,155	65	-	-	2,220
Construction in progress (CIP)	<u>20,806</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>26,008</u>
Total Capital Assets, Not Being Depreciated	<u>22,961</u>	<u>5,267</u>	<u>-</u>	<u>-</u>	<u>28,228</u>
Business-Type Activities Capital Assets, Net	<u>\$ 126,909</u>	<u>\$ 2,468</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ 129,372</u>

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

<b>Governmental Activities</b>	
General government	\$ 72
Public safety	808
Education	1,849
Public works	2,607
Human services	305
Culture and recreation	<u>405</u>
Total Governmental Activities	\$ <u>6,046</u>
<b>Business-Type Activities</b>	
Water	\$ 1,815
Sewer	<u>2,508</u>
Total Business-Type Activities	\$ <u>4,323</u>

#### 11. Deferred Outflows of Resources

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

#### 12. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020. Accounts payable represent 2020 expenditures paid after July 15, 2020.

#### 13. Notes Payable

The City had the following notes outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2020</u>
MA Clean Water Trust interim note CWP 16-10-B	0%	11/15/19	n/a - interim	\$ 1,548,433
Bond anticipation - Multipurpose	1.50%	06/05/20	06/04/21	<u>815,000</u>
Total				\$ <u>2,363,433</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation - Multipurpose	\$ 14,700,000	\$ 815,000	\$ (14,700,000)	\$ 815,000
MA Clean Water Trust interim notes	<u>9,593,487</u>	<u>3,169,310</u>	<u>(11,214,364)</u>	<u>1,548,433</u>
Total	<u>\$ 24,293,487</u>	<u>\$ 3,984,310</u>	<u>\$ (25,914,364)</u>	<u>\$ 2,363,433</u>

#### 14. Capital Lease Obligations

In November 2014 the City signed a lease-purchase agreement for approximately 3,000 streetlight 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 lease consisted of the following as of June 30, 2020:

Fiscal Year	
2021	\$ 104,122
2022	104,122
2023	104,122
2024	104,122
2025	<u>104,122</u>
Total payments	520,610
Less amounts representing interest	<u>(40,750)</u>
Present Value of Minimum Lease Payments	<u>\$ 479,860</u>



## 15. Long-Term Debt

### ***Long-Term Debt Supporting Activities***

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

	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>June 30, 2020</u>
<b>Governmental Activities</b>			
<b><i>General Obligation Bonds</i></b>			
<i>Direct Placements:</i>			
Multi-purpose (2011)	06/15/21	3.0 - 4.0	\$ 105,000
Multi-purpose (2016)	06/30/21	2.0 - 4.0	305,000
Multi-purpose (2013)	06/15/23	3.0 - 3.5	700,000
Multi-purpose (2019)	06/01/29	5.0	1,150,000
Multi-purpose (2020)	06/01/40	2.0 - 5.0	<u>15,009,853</u>
Total Governmental Activities			\$ <u><u>17,269,853</u></u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2020</u>
<b>Business-Type Activities</b>			
<b><i>General Obligation Bonds</i></b>			
<i>Direct Placements:</i>			
General obligation 2011 - water portion	06/15/21	3.0 - 4.0	\$ 100,000
General obligation 2016 - sewer portion	06/30/26	2.0 - 4.0	1,710,000
2016 refunding - sewer portion	06/30/28	2.0 - 4.0	2,665,000
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	1,100,000
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	1,120,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,235,000
General obligation 2019 - water portion	06/01/39	3.0 - 5.0	2,155,000
General obligation 2019 - sewer portion	06/01/39	3.0 - 5.0	995,000
General obligation 2020 - water portion	06/01/40	2.0 - 5.0	<u>3,562,915</u>
Total Direct Placements			14,642,915
<i>Notes From Direct Borrowings:</i>			
Water treatment (MCWT 99-06)	08/01/20	1.0 - 2.0	795,000
Water treatment (MCWT 00-10)	08/01/20	1.0 - 2.0	430,000
Water treatment (MCWT 00-10A)	08/01/24	1.0 - 2.0	1,835,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0	210,000
Water treatment (MCWT 01-16)	07/15/25	-	2,805,172
Sewer (MCWT 03-12A)	07/15/25	2.0	2,142,833
Sewer (MCWT 03-12B)	07/15/26	2.0	645,675
Sewer (MCWT 08-03)	07/15/28	2.0	3,662,540
Sewer (MCWT 08-03A)	07/15/30	2.0	584,974
Sewer (MCWT 03-12C)	07/15/30	2.0	194,678
Sewer (MCWT 12-01)	07/15/35	2.0	4,397,969
Sewer (MCWT 12-02)	07/15/35	2.0	5,634,435
Sewer (MCWT 12-01A)	07/15/36	2.0	600,835
Sewer (MCWT 13-01)	07/15/36	2.0	11,015,908
Sewer (MCWT 13-01A)	01/15/37	2.0	1,063,827
Sewer (MCWT 16-05)	07/15/38	2.0	1,985,014
Sewer (MCWT 16-10)	07/15/38	2.0	8,652,654
Sewer (MCWT 16-10A)	07/15/39	2.0	<u>11,214,360</u>
Total Notes from Direct Borrowings			<u>57,870,874</u>
Total Business-Type Activities			\$ <u><u>72,513,789</u></u>

### Future Debt Service

The annual payments to retire all general obligation bonds (direct placements) and notes from direct borrowings outstanding as of June 30, 2020 are as follows:

Governmental	Principal	Interest	Total
2021	\$ 1,532,993	\$ 583,437	\$ 2,116,430
2022	1,117,993	529,494	1,647,487
2023	1,112,993	481,936	1,594,929
2024	882,993	434,544	1,317,537
2025	877,993	394,044	1,272,037
2026 - 2030	4,264,965	1,366,470	5,631,435
2031 - 2035	3,739,965	611,720	4,351,685
2036 2040	<u>3,739,958</u>	<u>235,238</u>	<u>3,975,196</u>
Total	<u>\$ 17,269,853</u>	<u>\$ 4,636,883</u>	<u>\$ 21,906,736</u>

  

Business-Type	Bonds - Direct Placements			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,579,213	\$ 555,988	\$ 2,135,201	\$ 5,090,100	\$ 1,038,021	\$ 6,128,121
2022	1,479,213	493,200	1,972,413	3,944,343	970,058	4,914,401
2023	1,479,213	433,148	1,912,361	4,024,956	901,790	4,926,746
2024	1,469,213	373,200	1,842,413	4,106,965	832,022	4,938,987
2025	1,464,213	313,498	1,777,711	4,185,404	767,414	4,952,818
2026 - 2030	5,081,850	823,548	5,905,398	15,627,595	2,895,078	18,522,673
2031 - 2035	1,460,000	214,365	1,674,365	14,011,844	1,473,712	15,485,556
2036 2040	<u>630,000</u>	<u>46,950</u>	<u>676,950</u>	<u>6,879,667</u>	<u>293,681</u>	<u>7,173,348</u>
Total	<u>\$ 14,642,915</u>	<u>\$ 3,253,897</u>	<u>\$ 17,896,812</u>	<u>\$ 57,870,874</u>	<u>\$ 9,171,776</u>	<u>\$ 67,042,650</u>

### Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Governmental Activities</b>						
Bonds payable - direct placements	\$ 3,048	\$ 13,550	\$ (788)	\$ 15,810	\$ (1,460)	\$ 14,350
Unamortized bond premium	-	1,533	(73)	1,460	(73)	1,387
Subtotal - bonds payable	3,048	15,083	(861)	17,270	(1,533)	15,737
Net pension liability	133,245	-	(7,670)	125,575	-	125,575
Net OPEB liability	166,302	9,497	-	175,799	-	175,799
Compensated absences	3,481	291	-	3,772	-	3,772
Capital lease obligations	568	-	(88)	480	(91)	389
Total	<u>\$ 306,644</u>	<u>\$ 24,871</u>	<u>\$ (8,619)</u>	<u>\$ 322,896</u>	<u>\$ (1,624)</u>	<u>\$ 321,272</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Business-Type Activities</b>						
Bonds payable - direct placements	\$ 12,263	\$ 3,030	\$ (1,183)	\$ 14,110	\$ (1,520)	\$ 12,590
Unamortized bond premium	-	592	(59)	533	(59)	474
Notes from direct borrowings	<u>51,205</u>	<u>11,214</u>	<u>(4,548)</u>	<u>57,871</u>	<u>(5,090)</u>	<u>52,781</u>
Subtotal - bonds payable	63,468	14,836	(5,790)	72,514	(6,669)	65,845
Net pension liability	14,444	-	(1,308)	13,136	-	13,136
Net OPEB liability	8,008	457	-	8,465	-	8,465
Compensated absences	<u>426</u>	<u>47</u>	<u>-</u>	<u>473</u>	<u>-</u>	<u>473</u>
Total	<u>\$ 86,346</u>	<u>\$ 15,340</u>	<u>\$ (7,098)</u>	<u>\$ 94,588</u>	<u>\$ (6,669)</u>	<u>\$ 87,919</u>

### ***Long-Term Debt Supporting Governmental and Business-Type Activities***

Bonds and notes from direct borrowings, issued by the City for various municipal projects are approved by City Council and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost related to, primarily the general fund and enterprise funds.

## **16. 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, in accordance with GASB Statements No. 68 and 75, are more formally discussed 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 amounts in the Internal Service Fund for teachers' withholdings to be applied over July and August 2020.

## 17. 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>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General fund	\$ 287,775	\$ 2,195,335
Nonmajor Governmental Funds:		
Special revenue funds	140,335	287,775
Capital projects fund	<u>2,055,000</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>2,195,335</u>	<u>287,775</u>
Total Governmental Funds	\$ <u>2,483,110</u>	\$ <u>2,483,110</u>

## 18. Governmental Funds – Balances

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

The City has 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, 2020:

### ***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 2020.

### ***Assigned***

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

### ***Unassigned***

Represents amounts that are available to be spent in future periods, general stabilization fund and deficit funds.

Following is a breakdown of the City's fund balances at June 30, 2020:

	General Fund	Community Development Block Grant Fund	City Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable					
permanent funds	\$ -	\$ -	\$ -	\$ 2,267,738	\$ 2,267,738
Total Nonexpendable	-	-	-	2,267,738	2,267,738
Restricted					
Bonded projects	-	-	-	-	-
Special revenue funds	-	315,742	865,396	9,076,302	10,257,440
Expendable permanent funds	-	-	-	2,855,800	2,855,800
Total Restricted	-	315,742	865,396	11,932,102	13,113,240
Assigned					
Encumbrances:					
General government	1,356,588	-	-	-	1,356,588
Public safety	302,004	-	-	-	302,004
Education	2,034,433	-	-	-	2,034,433
Public works	1,871,444	-	-	-	1,871,444
Health and human services	136,358	-	-	-	136,358
Culture and recreation	56,259	-	-	-	56,259
Employee benefits	58,249	-	-	-	58,249
Miscellaneous	21,803	-	-	-	21,803
Total Assigned	5,837,138	-	-	-	5,837,138
Unassigned					
General fund	9,653,688	-	-	-	9,653,688
General stabilization fund *	7,214,478	-	-	-	7,214,478
Deficit funds	-	-	(349,758)	(1,846,203)	(2,195,961)
Total Unassigned	16,868,166	-	(349,758)	(1,846,203)	14,672,205
Total Fund Balance	\$ 22,705,304	\$ 315,742	\$ 515,638	\$ 12,353,637	\$ 35,890,321

\* Massachusetts General Law Chapter 40 Section 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 two thirds vote of the legislative body.

## **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 2020 was approximately \$810,000.

### ***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 and amendment through June 30, 2021 with annual guaranteed revenue of \$520,000.

### ***City Hall Lease***

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

In September 2012, the City entered into a lease with the Fitchburg Redevelopment Authority (FRA) for two spaces totaling approximately 14,550 square feet. The initial term of the lease is from September 15, 2012 – December 31, 2016, with provisions for 3 one-year extensions. The lease was extended as of January 1, 2017. Per the extended lease terms, fixed base rent for the first space, consisting of approximately 8,400 square feet, is \$84,000 annually. The fixed base rent for the 2<sup>nd</sup> space (approximately 6,150 square feet) is \$61,500 annually. As of June 16, 2017, a 3<sup>rd</sup> space has been secured through an amendment to the original lease for an additional 2,000 square feet for a fixed annual rent amount of \$20,000, payable monthly.

## **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.

### ***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, 718 Main Street, Suite 301A, Fitchburg, MA 01420.

#### *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.

#### *Participant Retirement Benefits*

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.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-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%, 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.



There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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.

#### *Methods of Payment*

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based

on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *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%.

#### *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, 2020 was \$13,189,700, which was equal to its annual required contribution.

#### ***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.

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

At June 30, 2020, the City reported a liability of approximately \$138.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2020, the City’s proportion was 97.03%, which was an increase of 0.67% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$16.8 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	\$ 2,417	\$ (462)
Changes in assumptions	6,801	-
Changes in proportion and differences between contributions and proportionate share of contributions	652	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(4,693)</u>
Total	\$ <u>9,870</u>	\$ <u>(5,155)</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:

2021	\$ 3,253
2022	2,166
2023	871
2024	(1,608)
2025	<u>33</u>
Total	\$ <u>4,715</u>

***Actuarial Assumptions***

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

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal
Remaining amortization period	12 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	
Group 1 and 2	4.75%
Police	7.30%
Fire	15.75%
Inflation rate	2.50%
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 the following: Pre-retirement and beneficiary mortality: Rates reflect the RP-2014 employees table projected generationally using MP-2019 and a base year of 2006 (gender distinct). Post retirement rates reflected the healthy annuitant table.

Mortality for disable members: Rates reflect the RP-2014 healthy annuitant table with a base year of 2006, set forward by 2 years (gender distinct).

#### *Change of Assumptions*

The January 1, 2020 actuarial valuation included changes of assumptions in mortality and salary increases, as well as a reduction of the discount rate from 7.25% to 7.00%. The net effect of these changes increased the System's total pension liability by approximately \$1.3 million.

#### **Target Allocations**

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric 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>
U.S. equity	13.0%	4.29%
International equities	13.0%	4.39%
Emerging equities	5.0%	6.54%
Hedged equity	8.0%	3.61%
Core bonds	6.0%	0.88%
Short-Term fixed income	2.0%	0.59%
Long duration treasury	3.0%	0.00%
Inflation-linked bonds	4.0%	0.20%
Value-added fixed income	8.0%	4.20%
Private equity	13.0%	8.20%
Real estate	10.0%	3.51%
Timberland	4.0%	4.10%
Portfolio completion (PCS)	11.0%	3.22%
Total	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$168,149	\$138,711	\$113,811

**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)****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.

### ***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 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 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 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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.

### ***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 to 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

### ***Actuarial Assumptions***

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) 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, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 White Collar Employees 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 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

### ***Target Allocations***

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, 2019 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	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.0%</u>	

### ***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 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.

### ***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	Current Discount Rate	1% Increase
<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
\$31,232,100	\$25,214,020	\$20,062,500

### ***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.

### ***City Proportions***

In fiscal year 2019 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$124.7 million based on a proportionate share of 0.49%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$7.1 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$15.1 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 2014, the City established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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, 2020.

### ***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.

#### ***Funding Policy***

The City's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/ authorizations.

#### ***Plan Membership***

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	788
Active employees	<u>1,063</u>
Total	<u><u>1,851</u></u>

### ***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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions***

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation and salary increases	3.0%
Discount rate/municipal bond rate	2.66%
Healthcare cost trend rates	8.0% for 2020, fluctuating 0.5% to an ultimate rate of 5.0% as of 2025 and later years
Retirees' share of benefit-related costs	25% – 30%
Participation rate	80% of eligible employees

Mortality rates were based on RP-2006 Mortality table with MP-2018 projection.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2019.

### ***Target Allocations***

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, 2020 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	<u>17.00%</u>	0.00%
Total	<u>100.00%</u>	

### **Contributions**

In addition to the implicit subsidy contribution, the City's policy is to contribute amounts provided annually by the budget.

### **Discount Rate**

The discount rate used to measure the net OPEB liability was 2.66%. 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 2.66% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2020.

### **Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2020, were as follows (in thousands):

Total OPEB liability	\$ 185,769
Plan fiduciary net position	<u>(1,505) *</u>
Net OPEB liability	<u>\$ 184,264</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.81%

\* Does not reflect certain immaterial market value adjustments.

### **Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the past year (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, Beginning of Year	\$ 175,498	\$ 1,188	\$ 174,310
Changes for the year:			
Service cost	6,654	-	6,654
Interest	4,826	-	4,826
Contributions - employer	-	5,294	(5,294)
Net investment income	-	67	(67)
Differences between expected and actual experience	(3)	-	(3)
Changes in assumptions	3,838	-	3,838
Benefit payments	<u>(5,044)</u>	<u>(5,044)</u>	<u>-</u>
Net Changes	<u>10,271</u>	<u>317</u>	<u>9,954</u>
Balance, End of Year	<u>\$ 185,769</u>	<u>\$ 1,505</u>	<u>\$ 184,264</u>

Changes in assumptions reflect a change in the discount rate from 2.79% in 2019 to 2.66% in 2020.

***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	Current Discount Rate	1% Increase
<u>(1.66%)</u>	<u>(2.66%)</u>	<u>(3.66%)</u>
\$213,857	\$184,264	\$154,671

***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 were 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	Current Healthcare Cost Trend Rates	1% Increase
<u>(7.0%)</u>	<u>(8.0%)</u>	<u>(6.0%)</u>
\$149,002	\$184,264	\$227,223

***OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB***

For the year ended June 30, 2020, the City recognized an OPEB expense of approximately \$13.1 million. At June 30, 2020, the City reported deferred outflows and (inflows) of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 468	\$ (227)
Changes in assumptions	10,584	-
Net difference between projected and actual OPEB investment earnings	<u>2</u>	<u>(51)</u>
Total	<u>\$ 11,054</u>	<u>\$ (278)</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>	
2021	\$ 1,608
2022	1,608
2023	1,608
2024	1,615
2025	1,622
Thereafter	<u>2,715</u>
Total	\$ <u>10,776</u>

### 23. Consolidation of Pension and OPEB Trust Funds

The Fitchburg Contributory Retirement System and the Other Post-Employment Benefits Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

#### Combining Statement of Plan Net Position

	Pension Trust Fund <u>December 31, 2019</u>	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
<b>Assets</b>			
Cash and short-term investments	\$ 1,700,666	\$ -	\$ 1,700,666
Investments in external investment pools	132,259,242	1,505,097	133,764,339
Accounts receivable	<u>95,714</u>	<u>-</u>	<u>95,714</u>
Total Assets	134,055,622	1,505,097	135,560,719
<b>Liabilities</b>			
Accounts payable	46,374	-	46,374
<b>Net Position</b>			
Restricted for pension purposes	134,009,248	-	134,009,248
Restricted for OPEB purposes	<u>-</u>	<u>1,505,097</u>	<u>1,505,097</u>
Total Net Position	\$ <u>134,009,248</u>	\$ <u>1,505,097</u>	\$ <u>135,514,345</u>

**Combining Statement of Changes in Plan Net Position**

	Pension Trust Fund <u>December 31, 2019)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
<b>Additions</b>			
Contributions:			
Employers	\$ 13,584,719	\$ 5,294,136	\$ 18,878,855
Plan members	4,029,560	-	4,029,560
Other systems and Commonwealth of Massachusetts	398,074	-	398,074
Other	<u>32,812</u>	<u>-</u>	<u>32,812</u>
Total Contributions	18,045,165	5,294,136	23,339,301
Investment Income:			
Interest and dividends	-	20,067	20,067
Appreciation in fair value of investments	18,968,670	-	18,968,670
Less: Management fees	<u>(634,961)</u>	<u>-</u>	<u>(634,961)</u>
Net Investment Income	<u>18,333,709</u>	<u>20,067</u>	<u>18,353,776</u>
Total Additions	36,378,874	5,314,203	41,693,077
<b>Deductions</b>			
Benefit payments to plan members and beneficiaries	17,404,080	5,044,136	22,448,216
Refunds to plan members	387,769	-	387,769
Transfers to other systems	436,243	-	436,243
Administrative expenses	<u>224,733</u>	<u>-</u>	<u>224,733</u>
Total Deductions	<u>18,452,825</u>	<u>5,044,136</u>	<u>23,496,961</u>
Net Increase	17,926,049	270,067	18,196,116
<b>Net Position Restricted for Pensions and OPEB Purposes</b>			
Beginning of year	<u>116,083,199</u>	<u>1,235,030</u>	<u>117,318,229</u>
End of year	\$ <u><u>134,009,248</u></u>	\$ <u><u>1,505,097</u></u>	\$ <u><u>135,514,345</u></u>

**24. 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 \$150,000 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, 2020 are as follows:

Claims liability, Beginning of Year	\$ 1,821,305
Claims incurred/recognized in fiscal year 2020	19,289,274
Claims paid in fiscal year 2020	<u>(20,055,077)</u>
Claims Liability, End of Year	\$ <u><u>1,055,502</u></u>

## 25. Subsequent Events

Management has evaluated subsequent events through April 7, 2021, which is the date the financial statements were available to be issued.

### ***Debt***

Subsequent to June 30, 2020, the City has incurred the following additional debt:

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MA Clean Water Trust Interim Note CWP 20-03	\$ 7,498,408	0.00%	10/08/20	10/08/23
MA Clean Water Trust Interim Note CWP 20-03-A	\$ 1,170,000	0.00%	10/08/20	10/08/23

## 26. Commitments and Contingencies

### ***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the City, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

### ***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, 2020, the City has incurred approximately \$81 million of engineering and construction costs related to these projects, \$63.4 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

***Property Liability Insurance***

Due to excess property losses for several years, the deductible for property losses beginning July 1, 2019 increased from \$50,000 per loss to \$1,000,000 per loss.

***Encumbrances***

At year-end, the City's general fund has \$5,837,138 in encumbrances that will be honored in the next fiscal year.

**27. Beginning Fund Balance Reclassification**

The City's major governmental funds for fiscal year 2020, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity Beginning of Year (as previously reported)	Reclassify Major Funds per GASB 34	Fund Equity Beginning of Year (as reclassified)
Capital projects fund	\$ (1,357,629)	\$ 1,357,629	\$ -
Nonmajor governmental funds	<u>12,140,505</u>	<u>(1,357,629)</u>	<u>10,782,876</u>
Total	<u>\$ 10,782,876</u>	<u>\$ -</u>	<u>\$ 10,782,876</u>



## **28. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the City beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the City beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**CITY OF FITCHBURG, MASSACHUSETTS**

Required Supplementary Information  
General Fund

Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 54,726,853	\$ 54,726,853	\$ 55,342,815	\$ 615,962
Excises	4,196,533	4,196,533	4,110,633	(85,900)
Penalties, interest and other taxes	906,500	906,500	1,073,376	166,876
Charges for services	5,961,500	5,961,500	7,052,635	1,091,135
Intergovernmental	68,742,534	68,742,534	68,617,245	(125,289)
Licenses and permits	1,000,000	1,000,000	928,108	(71,892)
Fines and forfeitures	160,000	160,000	150,306	(9,694)
Investment income	300,000	300,000	307,000	7,000
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>444,369</u>	<u>441,869</u>
Total Revenues	135,996,420	135,996,420	138,026,487	2,030,067
<b>Expenditures</b>				
General government	5,322,334	5,654,587	5,336,341	318,246
Public safety	17,471,249	17,869,502	17,194,971	674,531
Education	64,708,838	64,708,838	63,787,192	921,646
Public works	4,850,245	6,162,745	5,836,235	326,510
Health and human services	4,180,935	4,221,445	4,128,219	93,226
Culture and recreation	907,458	1,545,992	1,414,500	131,492
Employee benefits	31,691,812	31,706,254	31,534,966	171,288
Miscellaneous	1,276,953	1,276,953	1,149,963	126,990
Debt service	1,320,628	1,320,628	1,321,753	(1,125)
Intergovernmental	<u>6,446,127</u>	<u>6,446,127</u>	<u>6,114,409</u>	<u>331,718</u>
Total Expenditures	<u>138,176,579</u>	<u>140,913,071</u>	<u>137,818,549</u>	<u>3,094,522</u>
Excess (Deficiency) of Revenues over Expenditures	(2,180,159)	(4,916,651)	207,938	5,124,589
<b>Other Financing Sources (Uses)</b>				
Transfers in	283,943	283,943	287,775	3,832
Transfers out	(1,909,000)	(2,533,000)	(2,545,335)	(12,335)
Use of free cash:				
Operating budget and capital items	2,505,216	5,865,708	-	(5,865,708)
Contribution to OPEB trust fund	250,000	250,000	-	(250,000)
Transfer to Stabilization fund	350,000	350,000	-	(350,000)
Overlay surplus	<u>700,000</u>	<u>700,000</u>	<u>-</u>	<u>(700,000)</u>
Total Other Financing Sources (Uses)	<u>2,180,159</u>	<u>4,916,651</u>	<u>(2,257,560)</u>	<u>(7,174,211)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(2,049,622)</u>	\$ <u>(2,049,622)</u>

See Independent Auditors' Report.

## Notes to the Required Supplemental Information For General Fund Budget

### Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### 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, expenditures and other financing sources (uses), to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$ 144,658,915	\$ 141,411,255	\$ 1,907,560
Remove the effect of adding the City's Stabilization fund per GASB 54	(255,699)	-	350,000
Reverse beginning of year appropriation carry- forwards from expenditures	-	(3,053,115)	-
Add end of year appropriation carryforwards to expenditures	-	5,837,138	-
Reverse the effect of grant reimbursements for indirect costs	761,313	761,313	-
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(7,138,042)</u>	<u>(7,138,042)</u>	<u>-</u>
Budgetary Basis	<u>\$ 138,026,487</u>	<u>\$ 137,818,549</u>	<u>\$ 2,257,560</u>

See Independent Auditors' Report.

**CITY OF FITCHBURG, MASSACHUSETTS**  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
(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, 2020	December 31, 2019	97.03%	\$138,711	\$33,127	418.7%	48.38%
June 30, 2019	December 31, 2018	96.36%	\$147,689	\$32,675	452.0%	43.10%
June 30, 2018	December 31, 2017	96.43%	\$137,513	\$31,418	437.7%	45.90%
June 30, 2017	December 31, 2016	96.28%	\$134,496	\$30,723	437.8%	42.90%
June 30, 2016	December 31, 2015	96.60%	\$123,193	\$29,175	422.3%	43.70%
June 30, 2015	December 31, 2014	96.55%	\$115,754	\$27,759	417.0%	45.55%

**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, 2020	June 30, 2019	0.49%	-	\$124,664	\$124,664	\$35,980	-	53.95%
June 30, 2019	June 30, 2018	0.49%	-	\$115,199	\$115,199	\$34,412	-	54.84%
June 30, 2018	June 30, 2017	0.51%	-	\$117,326	\$117,326	\$34,812	-	54.25%
June 30, 2017	June 30, 2016	0.49%	-	\$108,745	\$108,745	\$31,993	-	52.73%
June 30, 2016	June 30, 2015	0.50%	-	\$101,788	\$101,788	\$31,490	-	55.40%
June 30, 2015	June 30, 2014	0.51%	-	\$81,168	\$81,168	\$31,335	-	61.64%

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

See Independent Auditors' Report.

**CITY OF FITCHBURG, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

**Fitchburg Contributory Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$13,190	\$13,190	\$0	\$33,127	39.82%
June 30, 2019	December 31, 2018	\$12,053	\$12,078	(\$25)	\$32,675	36.96%
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>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$7,138	\$7,138	-	\$35,980	19.84%
June 30, 2019	June 30, 2018	\$6,388	\$6,388	-	\$34,412	18.56%
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%

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See Independent Auditors' Report.

**CITY OF FITCHBURG, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability

(Unaudited)

(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 6,654	\$ 5,936	\$ 5,828	\$ 5,434
Interest	4,826	4,836	4,747	4,868
Differences between expected and actual experience	(3)	(314)	4,697	-
Changes in assumptions	3,838	5,305	-	-
Benefit payments, including refunds of member contributions	<u>(5,044)</u>	<u>(5,074)</u>	<u>(5,467)</u>	<u>(5,412)</u>
Net Change in Total OPEB Liability	10,271	10,689	9,805	4,890
Total OPEB Liability - Beginning	<u>175,498</u>	<u>164,809</u>	<u>155,004</u>	<u>150,114</u>
Total OPEB Liability - Ending (a)	185,769	175,498	164,809	155,004
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	5,294	5,324	5,717	5,712
Net investment income	67	23	67	42
Benefit payments, including refunds of member contributions	<u>(5,044)</u>	<u>(5,074)</u>	<u>(5,467)</u>	<u>(5,412)</u>
Net Change in Plan Fiduciary Net Position	317	273	317	342
Plan Fiduciary Net Position - Beginning	<u>1,188</u>	<u>915</u>	<u>598</u>	<u>256</u>
Plan Fiduciary Net Position - Ending (b)	<u>1,505</u>	<u>1,188</u>	<u>915</u>	<u>598</u>
Net OPEB Liability - Ending (a-b)	\$ <u>184,264</u>	\$ <u>174,310</u>	\$ <u>163,894</u>	\$ <u>154,406</u>

*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.

**CITY OF FITCHBURG, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 185,769	\$ 175,498	\$ 164,809	\$ 155,004
Plan fiduciary net position	<u>(1,505)</u>	<u>(1,188)</u>	<u>(915)</u>	<u>(598)</u>
Net OPEB Liability	<u>\$ 184,264</u>	<u>\$ 174,310</u>	<u>\$ 163,894</u>	<u>\$ 154,406</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.81%	0.68%	0.56%	0.39%
Covered payroll	78,906	75,400	72,824	72,824
Net OPEB liability as a percentage of covered payroll	233.52%	231.18%	225.05%	212.03%
<b>Schedule of Contributions</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 18,222	\$ 16,932	\$ 10,576	\$ 10,303
Contributions in relation to the actuarially determined contribution	<u>(5,294)</u>	<u>(5,324)</u>	<u>(5,717)</u>	<u>(5,712)</u>
Contribution Deficiency (Excess)	<u>\$ 12,928</u>	<u>\$ 11,608</u>	<u>\$ 4,859</u>	<u>\$ 4,591</u>
Covered payroll	78,906	75,400	72,824	72,824
Contributions as a percentage of covered payroll	6.71%	7.06%	7.85%	7.84%
<b>Schedule of Investment Returns</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	5.50%	2.46%	8.90%	9.10%

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

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