



CITY OF FITCHBURG, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S 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, 2021, (except for the Fitchburg Contributory Retirement System which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

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

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, 2021, (except for the Fitchburg Contributory Retirement System which is as of and for the year ended December 31, 2020), 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.

Emphasis of Matter

As discussed in Note 25 to the financial statements, in fiscal year 2021 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, 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 May 19, 2022, 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.

Greenfield, Massachusetts
May 19, 2022

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, 2021.

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, deferred outflows and 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

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 \$(130,768,258), a change of \$1,795,706, and net position in business-type activities was \$61,488,906, a change of \$4,809,334, as discussed further.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$47,355,830, a change of \$11,465,509 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,647,352, a change of \$1,779,186 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.

NET POSITION (in thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 82,252	\$ 61,022	\$ 22,756	\$ 23,621	\$ 105,008	\$ 84,643
Capital assets	<u>130,058</u>	<u>125,072</u>	<u>132,067</u>	<u>129,373</u>	<u>262,125</u>	<u>254,445</u>
Total Assets	212,310	186,094	154,823	152,994	367,133	339,088
Deferred Outflows of Resources	24,113	19,481	1,334	1,443	25,447	20,924
Liabilities						
Current liabilities	21,942	11,442	9,472	9,337	31,414	20,779
Noncurrent liabilities	<u>327,186</u>	<u>321,272</u>	<u>83,893</u>	<u>87,919</u>	<u>411,079</u>	<u>409,191</u>
Total Liabilities	349,128	332,714	93,365	97,256	442,493	429,970
Deferred Inflows of Resources	18,064	5,425	1,303	501	19,367	5,926
Net Position						
Net investment in capital assets	106,507	106,792	62,202	55,958	168,709	162,750
Restricted	18,693	13,715	-	-	18,693	13,715
Unrestricted	<u>(255,968)</u>	<u>(253,071)</u>	<u>(713)</u>	<u>722</u>	<u>(256,681)</u>	<u>(252,349)</u>
Total Net Position	\$ <u>(130,768)</u>	\$ <u>(132,564)</u>	\$ <u>61,489</u>	\$ <u>56,680</u>	\$ <u>(69,279)</u>	\$ <u>(75,884)</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 \$(69,279,352), a change of \$6,605,040 in comparison to the prior year.

By far the largest portion of net position, \$168,708,189, 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, \$18,692,989, 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 \$(256,680,530), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues:						
Charges for services	\$ 16,600	\$ 13,919	\$ 19,995	\$ 20,315	\$ 36,595	\$ 34,234
Operating grants and contributions	96,230	91,482	-	-	96,230	91,482
Capital grants and contributions	6,736	14,649	1,242	820	7,978	15,469
General revenues:						
Property taxes	56,427	56,659	-	-	56,427	56,659
Excises	4,638	4,192	-	-	4,638	4,192
Penalties, interest and other taxes	1,953	1,073	-	-	1,953	1,073
Grants and contributions not restricted to specific programs	9,917	10,752	-	-	9,917	10,752
Investment income	463	856	38	223	501	1,079
Miscellaneous	919	942	-	-	919	942
Total Revenues	193,883	194,524	21,275	21,358	215,158	215,882
Expenses						
General government	11,898	9,076	-	-	11,898	9,076
Public safety	31,003	30,000	-	-	31,003	30,000
Education	124,634	121,756	-	-	124,634	121,756
Public works	8,796	8,815	-	-	8,796	8,815
Health and human services	5,469	5,370	-	-	5,469	5,370
Culture and recreation	2,030	2,469	-	-	2,030	2,469
Miscellaneous	1,207	1,129	-	-	1,207	1,129
Interest on long-term debt	592	461	-	-	592	461
Intergovernmental	6,458	6,114	-	-	6,458	6,114
Water operations	-	-	6,085	6,625	6,085	6,625
Sewer operations	-	-	10,381	10,727	10,381	10,727
Total Expenses	192,087	185,190	16,466	17,352	208,553	202,542
Change in Net Position	1,796	9,334	4,809	4,006	6,605	13,340
Net Position - Beginning of Year	(132,564)	(141,898)	56,680	52,674	(75,884)	(89,224)
Net Position - End of Year	\$ (130,768)	\$ (132,564)	\$ 61,489	\$ 56,680	\$ (69,279)	\$ (75,884)

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,795,706. Key elements of this change are as follows:

General fund operations	\$ 4,843,623
Major fund - CDBG fund expenditures in excess of revenues	(26,512)
Major fund - City grants fund revenues in excess of expenditures	305,602
Major fund - ARPA fund revenues in excess of expenditures	544
Non-major fund revenues and other financing sources in excess of expenditures and other financing uses	6,342,252
Internal service fund revenues in excess of expenditures	139,935
Depreciation expense in excess of principal debt service	(5,123,068)
Capital assets purchases	12,723,414
Capital asset disposals, net	(1,082,169)
Issuance of bonds	(7,757,000)
Bond premiums	(781,728)
Change in net pension liability, net of deferrals	1,554,249
Change in net OPEB liability, net of deferrals	(8,911,820)
Other	<u>(431,616)</u>
Total	\$ <u>1,795,706</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$4,809,334. Key elements of this change are as follows:

Water operations	\$ 1,588,163
Sewer operations	<u>3,221,171</u>
Total	\$ <u>4,809,334</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 \$18,647,352, while total fund balance was \$27,548,927. 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>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
General fund	\$ 11,042,467	\$ 9,653,688	\$ 1,388,779	8.1%
Stabilization fund	<u>7,604,885</u>	<u>7,214,478</u>	<u>390,407</u>	<u>5.6%</u>
Total Unassigned Fund Balance	\$ 18,647,352	\$ 16,868,166	\$ 1,779,186	13.6%
Total Fund Balance	\$ 27,548,927	\$ 22,705,304	\$ 4,843,623	20.1%

* 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 \$7,730,067.

The total fund balance of the General Fund increased by \$4,843,623 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 889,406
State and local revenues over budget	2,421,861
Budgetary appropriations unspent by departments	4,242,387
Use of free cash and overlay surplus as a funding source for nonrecurring expenses	(3,689,875)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	589,437
Change in Stabilization fund	<u>390,407</u>
Total	\$ <u>4,843,623</u>

Community Development Block Grant Fund

The community development block grant fund changed by \$(26,512) primarily from timing differences between the receipt and disbursement of grants.

City Grant Fund

The city grant fund changed by \$305,602 primarily from timing differences between the receipt and disbursement of grants.

ARPA Fund

The ARPA fund changed by \$544 primarily from investment income earned.

Nonmajor Governmental Funds

The nonmajor fund balance changed by \$6,342,252 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 \$(712,515), a change of \$(1,434,505) 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 \$1,580,875, which was all funded by free cash. Major reasons for these amendments include:

Increase in general government appropriations	\$ 126,875
Increase in fire and police department appropriations	4,000
Increase in department of public works appropriations	745,000
Increase in health and human services appropriations	25,000
Increase in culture and recreation appropriations	280,000
Contribution to OPEB	50,000
Transfer to stabilization fund	<u>350,000</u>
Total	<u>\$ 1,580,875</u>

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$262,124,869 (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	\$ (6,656,060)
Depreciation expense - business-type activities	(4,340,316)
Loss on disposition of assets - governmental activities	(1,082,169)
Infrastructure	
Street improvements	1,738,669
Sewer manholes	1,316,075
Water mains and hydrants	35,000
Building and improvements	
City hall	5,210,920
Library windows	129,568
Police improvements	240,872
Building improvements - water	59,600
Departmental vehicles and equipment	
General government	1,256,110
Public safety	9,995
Culture and recreation	86,400
Water	2,876
Land	
Foreclosed properties	1,900
Construction in progress	
Airport runway	1,104,061
Crocker School building repairs	616,439
Putnam St parking garage	412,948
South St boiler and roof	1,786,213
Other projects	129,319
Claredon St sewer project	2,017,375
East Plant facility	264,165
Other projects - sewer	383,107
In-Line turbine	794,203
SCADA replacement	320,938
Water meter upgrade	1,638,535
Other projects - water	203,610

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 \$92,477,171, all of which was backed by the full faith and credit of the government.

As of April 2021, the date of the City's most recent bond rating, the City maintained their AA rating from Standards & Poor's (S&P) Global Rating for the Town's existing debt.

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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 60,302,274	\$ 18,475,681	\$ 78,777,955
Investments	12,520,605	-	12,520,605
Receivables, net of allowance for uncollectibles:			
Property taxes	1,062,447	-	1,062,447
Excises	1,086,983	-	1,086,983
User fees	-	3,900,286	3,900,286
Departmental and other	57,154	-	57,154
Intergovernmental	4,866,908	379,586	5,246,494
Other assets	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Current Assets	79,956,371	22,755,553	102,711,924
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	954,420	-	954,420
Loans	1,341,245	-	1,341,245
Nondepreciable capital assets	25,733,829	33,223,144	58,956,973
Other capital assets, net of accumulated depreciation	<u>104,323,692</u>	<u>98,844,204</u>	<u>203,167,896</u>
Total Noncurrent Assets	<u>132,353,186</u>	<u>132,067,348</u>	<u>264,420,534</u>
Total Assets	212,309,557	154,822,901	367,132,458
Deferred Outflows of Resources			
Related to pensions	4,023,981	434,229	4,458,210
Related to OPEB	<u>20,088,659</u>	<u>899,458</u>	<u>20,988,117</u>
Total Deferred Outflows of Resources	24,112,640	1,333,687	25,446,327

(continued)

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

CITY OF FITCHBURG, MASSACHUSETTS

Statement of Net Position
June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants payable	3,219,039	669,074	3,888,113
Accrued payroll and withholdings	3,781,766	-	3,781,766
Accrued interest payable	-	504,824	504,824
Accrued claims payable	1,382,946	-	1,382,946
Unearned revenue	11,672,502	-	11,672,502
Notes payable	-	2,706,071	2,706,071
Other current liabilities	60,548	-	60,548
Current portion of long-term liabilities:			
Bonds payable	1,730,452	5,592,002	7,322,454
Capital lease	<u>93,306</u>	<u>-</u>	<u>93,306</u>
Total Current Liabilities	21,940,559	9,471,971	31,412,530
Noncurrent:			
Bonds payable, net of current portion	22,545,137	62,609,580	85,154,717
Net pension liability	115,570,838	12,471,288	128,042,126
Net OPEB liability	185,187,558	8,291,664	193,479,222
Compensated absences	3,586,260	519,909	4,106,169
Capital lease, net of current portion	<u>295,772</u>	<u>-</u>	<u>295,772</u>
Total Noncurrent Liabilities	<u>327,185,565</u>	<u>83,892,441</u>	<u>411,078,006</u>
Total Liabilities	349,126,124	93,364,412	442,490,536
Deferred Inflows of Resources			
Related to pensions	8,205,816	885,492	9,091,308
Related to OPEB	9,330,733	417,778	9,748,511
Other	<u>527,782</u>	<u>-</u>	<u>527,782</u>
Total Deferred Inflows of Resources	18,064,331	1,303,270	19,367,601
Net Position			
Net investment in capital assets	106,506,768	62,201,421	168,708,189
Restricted for:			
Grants and other statutory restrictions	13,217,052	-	13,217,052
Endowment funds:			
Nonexpendable	2,319,528	-	2,319,528
Expendable	3,156,409	-	3,156,409
Unrestricted	<u>(255,968,015)</u>	<u>(712,515)</u>	<u>(256,680,530)</u>
Total Net Position	\$ <u><u>(130,768,258)</u></u>	\$ <u><u>61,488,906</u></u>	\$ <u><u>(69,279,352)</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, 2021

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 11,898,486	\$ 3,788,868	\$ 1,520,285	\$ 1,559,683	\$ (5,029,650)	\$ -	\$ (5,029,650)
Public safety	31,002,602	4,307,512	1,644,825	-	(25,050,265)	-	(25,050,265)
Education	124,635,360	4,100,887	91,440,972	1,910,369	(27,183,132)	-	(27,183,132)
Public works	8,796,111	1,123,527	65,285	3,266,375	(4,340,924)	-	(4,340,924)
Health and human services	5,469,354	3,173,714	1,421,057	-	(874,583)	-	(874,583)
Culture and recreation	2,029,974	105,422	137,164	25	(1,787,363)	-	(1,787,363)
Miscellaneous	1,206,909	-	-	-	(1,206,909)	-	(1,206,909)
Interest on long-term debt	592,184	-	-	-	(592,184)	-	(592,184)
Intergovernmental	6,457,605	-	-	-	(6,457,605)	-	(6,457,605)
Total Governmental Activities	192,088,585	16,599,930	96,229,588	6,736,452	(72,522,615)	-	(72,522,615)
Business-Type Activities							
Water operations	6,084,807	6,205,541	-	1,220,705	-	1,341,439	1,341,439
Sewer operations	10,380,679	13,789,512	-	20,963	-	3,429,796	3,429,796
Total Business-Type Activities	16,465,486	19,995,053	-	1,241,668	-	4,771,235	4,771,235
Total	\$ <u>208,554,071</u>	\$ <u>36,594,983</u>	\$ <u>96,229,588</u>	\$ <u>7,978,120</u>	(72,522,615)	4,771,235	(67,751,380)
General Revenues							
Property taxes					56,426,825	-	56,426,825
Excises					4,638,217	-	4,638,217
Penalties, interest and other taxes					1,953,375	-	1,953,375
Grants and contributions not restricted							
to specific programs					9,917,314	-	9,917,314
Investment income					463,198	38,099	501,297
Miscellaneous					919,392	-	919,392
Total General Revenues					74,318,321	38,099	74,356,420
Change in Net Position					1,795,706	4,809,334	6,605,040
Net Position							
Beginning of Year					(132,563,964)	56,679,572	(75,884,392)
End of Year					\$ <u>(130,768,258)</u>	\$ <u>61,488,906</u>	\$ <u>(69,279,352)</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Community Development Block Grant Fund	City Grants Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 25,199,205	\$ 237,270	\$ 32,211	\$ 11,673,046	\$ 13,467,523	\$ 50,609,255
Investments	7,581,616	-	-	-	4,938,989	12,520,605
Receivables:						
Property taxes	1,240,265	-	-	-	-	1,240,265
Excises	1,735,948	-	-	-	-	1,735,948
Departmental and other, net of allowance for uncollectibles	52,716	-	-	-	4,438	57,154
Intergovernmental	459,488	1,893,554	849,565	-	1,495,909	4,698,516
Tax title and demolition liens	3,871,885	-	-	-	-	3,871,885
Loans, net of allowance for uncollectibles	-	1,520,484	8,410,755	-	-	9,931,239
Other assets	60,000	-	-	-	-	60,000
Total Assets	<u>\$ 40,201,123</u>	<u>\$ 3,651,308</u>	<u>\$ 9,292,531</u>	<u>\$ 11,673,046</u>	<u>\$ 19,906,859</u>	<u>\$ 84,724,867</u>
Liabilities						
Warrants payable	\$ 1,912,288	\$ 63,311	\$ 60,536	\$ -	\$ 1,045,764	\$ 3,081,899
Accrued payroll and withholdings	3,620,998	-	-	-	160,768	3,781,766
Unearned revenue	-	-	-	11,672,502	-	11,672,502
Other liabilities	60,548	-	-	-	-	60,548
Total Liabilities	5,593,834	63,311	60,536	11,672,502	1,206,532	18,596,715
Deferred Inflows of Resources						
Unavailable revenues	7,058,362	3,298,767	8,410,755	-	4,438	18,772,322
Fund Balances						
Nonspendable	-	-	-	-	2,319,528	2,319,528
Restricted	-	289,230	1,170,998	544	16,582,460	18,043,232
Assigned	8,901,575	-	-	-	-	8,901,575
Unassigned	18,647,352	-	(349,758)	-	(206,099)	18,091,495
Total Fund Balances	27,548,927	289,230	821,240	544	18,695,889	47,355,830
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 40,201,123</u>	<u>\$ 3,651,308</u>	<u>\$ 9,292,531</u>	<u>\$ 11,673,046</u>	<u>\$ 19,906,859</u>	<u>\$ 84,724,867</u>

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, 2021

Total Governmental Fund Balances	\$ 47,355,830
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	130,057,521
• Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	4,023,981
• Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	20,088,659
• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.	6,438,080
• Internal service fund is used by management to account for health insurance activities. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	7,813,543
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and loans payable	(24,275,589)
Net pension liability	(115,570,838)
Net OPEB liability	(185,187,558)
Compensated absences	(3,586,260)
Capital lease	(389,078)
• Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(8,205,816)
• Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(9,330,733)</u>
Net Position of Governmental Activities	\$ <u><u>(130,768,258)</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, 2021

	General <u>Fund</u>	Community Development Block Grant <u>Fund</u>	City Grants <u>Fund</u>	ARPA <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues						
Property taxes	\$ 57,968,451	\$ -	\$ -	\$ -	\$ -	\$ 57,968,451
Excises	4,544,884	-	-	-	-	4,544,884
Penalties, interest and other taxes	1,953,375	-	-	-	-	1,953,375
Charges for services	6,010,069	-	37,276	-	3,266,637	9,313,982
Intergovernmental	76,388,657	1,559,683	4,359,492	-	21,260,076	103,567,908
Licenses and permits	1,239,252	-	-	-	-	1,239,252
Fines and forfeitures	104,737	-	-	-	-	104,737
Investment income	104,890	-	75	544	338,231	443,740
Miscellaneous	848,989	115,494	-	-	7,500	971,983
Total Revenues	149,163,304	1,675,177	4,396,843	544	24,872,444	180,108,312
Expenditures						
Current:						
General government	5,160,214	1,701,689	1,089,003	-	6,576,590	14,527,496
Public safety	17,153,269	-	923,009	-	2,048,826	20,125,104
Education	71,294,579	-	-	-	15,009,075	86,303,654
Public works	4,278,005	-	1,660,743	-	2,748,813	8,687,561
Health and human services	4,123,466	-	283,300	-	28,560	4,435,326
Culture and recreation	1,154,692	-	135,186	-	74,495	1,364,373
Employee benefits	31,658,667	-	-	-	289,660	31,948,327
Miscellaneous	1,206,909	-	-	-	-	1,206,909
Debt service:						
Principal	1,460,000	-	-	-	-	1,460,000
Interest	665,176	-	-	-	-	665,176
Intergovernmental	6,457,605	-	-	-	-	6,457,605
Total Expenditures	144,612,582	1,701,689	4,091,241	-	26,776,019	177,181,531
Excess (Deficiency) of Revenues Over Expenditures	4,550,722	(26,512)	305,602	544	(1,903,575)	2,926,781
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	7,757,000	7,757,000
Bond premiums	-	-	-	-	781,728	781,728
Transfers in	1,085,664	-	-	-	792,763	1,878,427
Transfers out	(792,763)	-	-	-	(1,085,664)	(1,878,427)
Total Other Financing Sources (Uses)	292,901	-	-	-	8,245,827	8,538,728
Change in Fund Balance	4,843,623	(26,512)	305,602	544	6,342,252	11,465,509
Fund Balance, at Beginning of Year	22,705,304	315,742	515,638	-	12,353,637	35,890,321
Fund Balance, at End of Year	\$ 27,548,927	\$ 289,230	\$ 821,240	\$ 544	\$ 18,695,889	\$ 47,355,830

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, 2021

Net Changes in Fund Balances - Total Governmental Funds	\$ 11,465,509																						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital asset purchases</td><td style="text-align: right;">12,723,414</td></tr> <tr> <td>Net effect on disposal of assets</td><td style="text-align: right;">(1,082,169)</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(6,656,060)</td></tr> </table> The issuance of long-term debt (e.g., bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of general obligation bonds</td><td style="text-align: right;">(7,757,000)</td></tr> <tr> <td>Repayments of general obligation bonds</td><td style="text-align: right;">1,460,000</td></tr> <tr> <td>Premiums received on issuance of general obligation bonds</td><td style="text-align: right;">(781,728)</td></tr> <tr> <td>Bond premium amortization</td><td style="text-align: right;">72,992</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, loans, etc.) differ between the two statements. This amount represents the net change in unavailable revenue and net change in allowance for doubtful accounts. <div style="text-align: right;">(708,328)</div> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Change in net pension liability and related deferred outflows and inflows</td><td style="text-align: right;">1,554,249</td></tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td><td style="text-align: right;">(8,911,820)</td></tr> <tr> <td>Change in accrued employee benefits</td><td style="text-align: right;">185,930</td></tr> <tr> <td>Change in capital lease</td><td style="text-align: right;">90,782</td></tr> </table> Internal service fund is used by management to account for health insurance activities. The net activity of internal service fund is reported with Governmental Activities. <div style="text-align: right;"><u>139,935</u></div> 	Capital asset purchases	12,723,414	Net effect on disposal of assets	(1,082,169)	Depreciation	(6,656,060)	Issuance of general obligation bonds	(7,757,000)	Repayments of general obligation bonds	1,460,000	Premiums received on issuance of general obligation bonds	(781,728)	Bond premium amortization	72,992	Change in net pension liability and related deferred outflows and inflows	1,554,249	Change in net OPEB liability and related deferred outflows and inflows	(8,911,820)	Change in accrued employee benefits	185,930	Change in capital lease	90,782	
Capital asset purchases	12,723,414																						
Net effect on disposal of assets	(1,082,169)																						
Depreciation	(6,656,060)																						
Issuance of general obligation bonds	(7,757,000)																						
Repayments of general obligation bonds	1,460,000																						
Premiums received on issuance of general obligation bonds	(781,728)																						
Bond premium amortization	72,992																						
Change in net pension liability and related deferred outflows and inflows	1,554,249																						
Change in net OPEB liability and related deferred outflows and inflows	(8,911,820)																						
Change in accrued employee benefits	185,930																						
Change in capital lease	90,782																						
Changes in Net Position of Governmental Activities	\$ <u>1,795,706</u>																						

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

CITY OF FITCHBURG, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Assets				
Current:				
Cash and short-term investments	\$ 2,328,795	\$ 16,146,886	\$ 18,475,681	\$ 9,693,019
User fees, net of allowance for uncollectibles	1,234,599	2,665,687	3,900,286	-
Intergovernmental receivables	<u>-</u>	<u>379,586</u>	<u>379,586</u>	<u>168,392</u>
Total Current Assets	3,563,394	19,192,159	22,755,553	9,861,411
Noncurrent:				
Nondepreciable capital assets	6,716,491	26,506,653	33,223,144	-
Other capital assets, net of accumulated depreciation	<u>38,758,669</u>	<u>60,085,535</u>	<u>98,844,204</u>	<u>-</u>
Total Noncurrent Assets	<u>45,475,160</u>	<u>86,592,188</u>	<u>132,067,348</u>	<u>-</u>
Total Assets	49,038,554	105,784,347	154,822,901	9,861,411
Deferred Outflows of Resources				
Related to pensions	183,678	250,551	434,229	-
Related to OPEB	<u>397,684</u>	<u>501,774</u>	<u>899,458</u>	<u>-</u>
Total Deferred Outflows of Resources	581,362	752,325	1,333,687	-

(continued)

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

CITY OF FITCHBURG, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

(continued)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
Liabilities				
Current:				
Warrants payable	\$ 138,059	\$ 531,015	\$ 669,074	\$ 137,140
Accrued interest payable	-	504,824	504,824	-
Accrued claims payable	-	-	-	1,382,946
Notes payable	800,000	1,906,071	2,706,071	-
Current portion of long-term liabilities:				
Bonds payable	<u>1,492,942</u>	<u>4,099,060</u>	<u>5,592,002</u>	<u>-</u>
Total Current Liabilities	2,431,001	7,040,970	9,471,971	1,520,086
Noncurrent:				
Bonds payable, net of current portion	9,178,409	53,431,171	62,609,580	-
Net pension liability	5,275,329	7,195,959	12,471,288	-
Net OPEB liability	3,666,057	4,625,607	8,291,664	-
Compensated absences	<u>213,415</u>	<u>306,494</u>	<u>519,909</u>	<u>-</u>
Total Noncurrent Liabilities	<u>18,333,210</u>	<u>65,559,231</u>	<u>83,892,441</u>	<u>-</u>
Total Liabilities	20,764,211	72,600,201	93,364,412	1,520,086
Deferred Inflows of Resources				
Related to pensions	374,561	510,931	885,492	-
Related to OPEB	184,716	233,062	417,778	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,782</u>
Total Deferred Inflows of Resources	559,277	743,993	1,303,270	527,782
Net Position				
Net investment in capital assets	34,129,071	28,072,350	62,201,421	-
Unrestricted	<u>(5,832,643)</u>	<u>5,120,128</u>	<u>(712,515)</u>	<u>7,813,543</u>
Total Net Position	\$ <u>28,296,428</u>	\$ <u>33,192,478</u>	\$ <u>61,488,906</u>	\$ <u>7,813,543</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, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Operating Revenues				
Charges for services	\$ 6,205,541	\$ 13,789,512	\$ 19,995,053	\$ -
Employee contributions	-	-	-	5,700,919
Employer contributions	-	-	-	15,735,830
Miscellaneous	-	-	-	(52,591)
Total Operating Revenues	<u>6,205,541</u>	<u>13,789,512</u>	<u>19,995,053</u>	<u>21,384,158</u>
Operating Expenses				
Salary and benefits	1,688,786	2,245,500	3,934,286	-
Operating expenses	1,409,145	2,157,211	3,566,356	-
Depreciation	1,813,332	2,526,984	4,340,316	-
Administrative assessments	920,000	1,150,000	2,070,000	-
Employee benefits	-	-	-	21,263,681
Other	<u>11,852</u>	<u>1,079,787</u>	<u>1,091,639</u>	<u>-</u>
Total Operating Expenses	<u>5,843,115</u>	<u>9,159,482</u>	<u>15,002,597</u>	<u>21,263,681</u>
Operating Income	362,426	4,630,030	4,992,456	120,477
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	1,220,705	20,963	1,241,668	-
Investment income	1,605	36,494	38,099	19,458
Interest expense	<u>(241,692)</u>	<u>(1,221,197)</u>	<u>(1,462,889)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>980,618</u>	<u>(1,163,740)</u>	<u>(183,122)</u>	<u>19,458</u>
Income Before Transfers	1,343,044	3,466,290	4,809,334	139,935
Transfers in	245,119	-	245,119	-
Transfers out	<u>-</u>	<u>(245,119)</u>	<u>(245,119)</u>	<u>-</u>
Change in Net Position	1,588,163	3,221,171	4,809,334	139,935
Net Position, at Beginning of Year	<u>26,708,265</u>	<u>29,971,307</u>	<u>56,679,572</u>	<u>7,673,608</u>
Net Position, at End of Year	\$ <u>28,296,428</u>	\$ <u>33,192,478</u>	\$ <u>61,488,906</u>	\$ <u>7,813,543</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, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,485,443	\$ 13,697,356	\$ 20,182,799	\$ -
Receipts from employees and employer	-	-	-	21,471,673
Payments to employees	(2,572,198)	(3,312,708)	(5,884,906)	-
Payments to vendors	(1,122,670)	(3,183,772)	(4,306,442)	-
Payments of employee benefits and expenses	-	-	-	(19,432,103)
Net Cash Provided By Operating Activities	2,790,575	7,200,876	9,991,451	2,039,570
Cash Flows From Non-Capital and Related Financing Activities				
Transfers in	245,119	-	245,119	-
Transfers out	-	(245,119)	(245,119)	-
Net Cash Provided By (Used For) Non-Capital Financing Activities	245,119	(245,119)	-	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(3,271,521)	(3,762,029)	(7,033,550)	-
Capital contributions	727,498	20,963	748,461	-
Intergovernmental revenue	492,240	-	492,240	-
Proceeds of bonds and related premiums	545,794	1,752,101	2,297,895	-
Proceeds of notes	800,000	1,906,071	2,706,071	-
Principal payments on bonds and notes	(2,677,530)	(5,798,907)	(8,476,437)	-
Interest paid	(241,692)	(1,303,465)	(1,545,157)	-
Net Cash (Used For) Capital and Related Financing Activities	(3,625,211)	(7,185,266)	(10,810,477)	-
Cash Flows From Investing Activities				
Investment income	1,605	36,494	38,099	19,458
Net Cash Provided By Investing Activities	1,605	36,494	38,099	19,458
Net Change in Cash and Short-Term Investments	(587,912)	(193,015)	(780,927)	2,059,028
Cash and Short-Term Investments, Beginning of Year	2,916,707	16,339,901	19,256,608	7,633,991
Cash and Short-Term Investments, End of Year	\$ 2,328,795	\$ 16,146,886	\$ 18,475,681	\$ 9,693,019

(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, 2021

(continued)

	Business-Type Activities Enterprise Funds			Governmental <u>Activities</u> Internal Service <u>Fund</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	\$ 362,426	\$ 4,630,030	\$ 4,992,456	\$ 120,477
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,032,025	2,308,291	4,340,316	-
Changes in assets and liabilities and deferred outflows/inflows:				
User fee / other receivables	279,902	(92,156)	187,746	52,591
Prepaid expense	-	-	-	1,366,994
Deferred outflows - related to pensions	220,988	279,463	500,451	-
Deferred outflows - related to OPEB	(181,111)	(210,509)	(391,620)	-
Warrants and other payables	79,634	271,919	351,553	464,584
Accrued / other liabilities	10,144	36,412	46,556	34,924
Net pension liability	(411,815)	(252,813)	(664,628)	-
Net OPEB liability	55,922	(229,585)	(173,663)	-
Deferred inflows - related to pensions	163,196	234,094	397,290	-
Deferred inflows - related to OPEB	179,264	225,730	404,994	-
Net Cash Provided By Operating Activities	\$ <u>2,790,575</u>	\$ <u>7,200,876</u>	\$ <u>9,991,451</u>	\$ <u>2,039,570</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, 2021

	Pension and OPEB <u>Trust Funds</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 1,883,550	\$ 876,122
Investments in external investment pools	149,505,166	-
Accounts receivable	<u>342,651</u>	<u>-</u>
Total Assets	151,731,367	876,122
Liabilities		
Warrants payable	-	126,220
Other liabilities	<u>-</u>	<u>591,151</u>
Total Liabilities	-	717,371
Net Position		
Restricted for pension purposes	149,733,734	-
Restricted for OPEB purposes	1,997,633	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>158,751</u>
Total Net Position	\$ <u><u>151,731,367</u></u>	\$ <u><u>158,751</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, 2021

	Pension and OPEB <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions		
Contributions:		
Employers	\$ 19,485,095	\$ -
Plan members	3,826,295	-
Other systems and Commonwealth of Massachusetts	389,479	-
Other	46,830	-
Fees collected for State of Massachusetts	-	51,275
Fees collected for other entities and individuals	<u>-</u>	<u>404,568</u>
Total Contributions	23,747,699	455,843
Investment Income:		
Interest and dividends	442,536	-
Appreciation in fair value of investments	16,508,946	-
Less: Management fees	<u>(637,493)</u>	<u>-</u>
Net Investment Income	<u>16,313,989</u>	<u>-</u>
Total Additions	40,061,688	455,843
Deductions		
Benefit payments to plan members and beneficiaries	23,012,627	-
Refunds to plan members	389,671	-
Transfers to other systems	210,041	-
Administrative expenses	232,327	-
Payments of fees to State of Massachusetts	-	47,738
Payments of fees to other entities and individuals	<u>-</u>	<u>309,721</u>
Total Deductions	<u>23,844,666</u>	<u>357,459</u>
Net Increase	16,217,022	98,384
Net Position Restricted for Pensions, OPEB, and Other Purposes		
Beginning of Year	<u>135,514,345</u>	<u>60,367</u>
End of Year	\$ <u><u>151,731,367</u></u>	\$ <u><u>158,751</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 significant accounting policies:

Reporting Entity

The City is a municipal corporation governed by an elected City Council. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (as amended) criteria of component units. The criteria provided in Governmental Accounting Standards Board Codification section 2100 has been considered and as a result, the component unit discussed below is included in the City's reporting entity because of its operational significance and financial relationship with the City.

Fiduciary Component Unit: The Fitchburg Contributory Retirement System (the System) which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a part of the pension and OPEB 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 *ARPA Fund* accounts for COVID-19 related expenditures or negative economic impacts of COVID-19 of the City, funded by the American Rescue Plan Act (ARPA).

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

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

The City reports the following major proprietary funds:

- The *Water Enterprise Fund* is used to account for the operations related to providing the City's water services and supporting infrastructure.
- The *Sewer Enterprise Fund* is used to account for the operations of the City's wastewater treatment facility and supporting infrastructure.

The self-insured employee health program is reported as an *Internal Service Fund* in the accompanying financial statements.

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

The City reports the following fiduciary funds:

- The *Pension and OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Custodial Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others and are not reported elsewhere on the financial statements. Custodial funds include fees collected from the State of Massachusetts and fees collected on behalf of other entities and individuals.

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, savings accounts, and money market 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.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). 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 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, which approximates the net asset value of \$1 per share.

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 2021 tax levy reflected an excess capacity of \$33,971. 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. The General Fund is the only fund that reports a positive unassigned fund balance.

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, 2021.

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

3. Deposits and Investments – City

Massachusetts General Law (MGL) Chapter 44, Section 55 places certain limitations 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 Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. MMDT has an average 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, 2021, none of the City's bank balance of \$85,948,083 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$93,766 was invested in a state pool, which is not subject to this disclosure.

Investment Summary

The following is a summary of the City's investments as of June 30, 2021 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 954
Corporate bonds	4,384
Corporate equities	1,111
Equity mutual funds	1,252
Federal agency securities	1,431
U.S. Treasury notes	<u>3,389</u>
Total Investments	\$ <u>12,521</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, 2021, \$2,192,265 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>	Held by <u>Counterparty</u>	Held by Counterparty's <u>Trust or Agent</u>
Corporate bonds	\$ 4,384	\$ 452	\$ -
Corporate equities	1,111	1,111	-
Equity mutual funds	1,252	629	-
Federal agency securities	1,431	-	-
U.S. Treasury notes	<u>3,389</u>	<u>-</u>	<u>-</u>
Total	\$ <u>11,567</u>	\$ <u>2,192</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, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the City's debt securities are as follows (U.S. Treasury notes have an implied rating of AAA) (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA</u>	<u>AA-</u>	<u>A+/A/A-</u>	<u>BBB+</u>	<u>BBB-</u>
Corporate bonds	\$ 4,384	\$ 56	\$ 186	\$ 1,773	\$ 1,248	\$ 1,121
Federal agency securities	<u>1,431</u>	<u>1,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,815</u>	<u>\$ 1,487</u>	<u>\$ 186</u>	<u>\$ 1,773</u>	<u>\$ 1,248</u>	<u>\$ 1,121</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, 2021, 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</u>		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 4,384	\$ 1,206	\$ 3,178	\$ -
Federal agency securities	1,431	-	789	642
U.S. Treasury notes	<u>3,389</u>	<u>1,072</u>	<u>1,702</u>	<u>615</u>
Total	<u>\$ 9,204</u>	<u>\$ 2,278</u>	<u>\$ 5,669</u>	<u>\$ 1,257</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*.

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, 2021 (in thousands):

		Fair Value Measurements Using:		
Investment Type	Amount	Quoted prices	Significant	Significant
		in active markets for identical (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 4,384	\$ -	\$ 4,384	\$ -
Corporate equities	1,111	1,111	-	-
Equity mutual funds	1,252	1,252	-	-
Federal agency securities	1,431	-	1,431	-
U.S. Treasury notes	<u>3,389</u>	<u>-</u>	<u>3,389</u>	<u>-</u>
Total	\$ <u>11,567</u>	\$ <u>2,363</u>	\$ <u>9,204</u>	\$ <u>-</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 of \$1,947,615 are invested in the external 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 – Investments of Debt Securities

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.

The OPEB Trust Fund has the following additional disclosures (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool	\$ <u>1,948</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 \$147,557,551 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 MGL, 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, the System 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.

The System's investments of \$147,557,551 are held in the State investment pool which is exempt from the custodial risk disclosure.

Investments in external 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 – Investments of Debt Securities

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. The System does not have formal investment policies related to credit risk.

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 PRIT fund.

Investments issued or explicitly guaranteed by the external investment pools are excluded from concentration of credit disclosure.

All of the System's investments are exempt from concentration of credit risk 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*.

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, 2020 (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>147,558</u>	\$ <u>-</u>	Monthly	30 days

6. Property Taxes and Excises Receivables

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% for fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

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, 2021 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 989,560	\$ (16,820)	\$ 972,740	\$ -
Personal property taxes	250,705	(160,998)	89,707	-
Tax liens	2,836,159	(1,985,312)	-	850,847
Demo tax title	1,001,628	(901,465)	-	100,163
Demo liens	<u>34,098</u>	<u>(30,688)</u>	<u>-</u>	<u>3,410</u>
Total Property Taxes	\$ <u>5,112,150</u>	\$ <u>(3,095,283)</u>	\$ <u>1,062,447</u>	\$ <u>954,420</u>
Motor vehicle excise	\$ <u>1,735,948</u>	\$ <u>(648,965)</u>	\$ <u>1,086,983</u>	\$ <u>-</u>

7. User Fee Receivables

Receivables for user charges and betterments at June 30, 2021 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
<u>Receivables</u>			
Water	\$ 1,473,898	\$ (239,299)	\$ 1,234,599
Sewer	<u>3,137,053</u>	<u>(471,366)</u>	<u>2,665,687</u>
Total	\$ <u>4,610,951</u>	\$ <u>(710,665)</u>	\$ <u>3,900,286</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

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, 2021 consist of the following:

	Total Loan Balance	Less Allowance for Uncollectibles	Net Amount
CDBG - consumer loans	\$ 421,708	\$ (84,342)	\$ 337,366
CDBG - mortgage/financing loans	45,129	-	45,129
CDBG - deferred payment loans	1,053,647	(1,053,647)	-
HOME - mortgage/financing loans	1,198,437	(239,687)	958,750
Other City grants - deferred payment loans	<u>7,212,318</u>	<u>(7,212,318)</u>	<u>-</u>
Total	<u>\$ 9,931,239</u>	<u>\$ (8,589,994)</u>	<u>\$ 1,341,245</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities					
Capital assets, being depreciated:					
Land improvements	\$ 14,128	\$ -	\$ (3)	\$ -	\$ 14,125
Buildings and improvements	91,840	5,581	(1,795)	17,653	113,279
Machinery, equipment, and furnishings	26,711	1,353	(27)	81	28,118
Infrastructure	<u>81,840</u>	<u>1,739</u>	<u>(905)</u>	<u>-</u>	<u>82,674</u>
Total Capital Assets, Being Depreciated	214,519	8,673	(2,730)	17,734	238,196
Less accumulated depreciation for:					
Land improvements	(6,736)	(378)	1	-	(7,113)
Buildings and improvements	(51,392)	(3,114)	1,029	-	(53,477)
Machinery, equipment, and furnishings	(20,944)	(1,766)	27	-	(22,683)
Infrastructure	<u>(50,106)</u>	<u>(1,398)</u>	<u>905</u>	<u>-</u>	<u>(50,599)</u>
Total Accumulated Depreciation	<u>(129,178)</u>	<u>(6,656)</u>	<u>1,962</u>	<u>-</u>	<u>(133,872)</u>
Capital Assets, Being Depreciated, Net	85,341	2,017	(768)	17,734	104,324
Capital assets, not being depreciated:					
Land	6,914	2	(314)	-	6,602
Construction in progress (CIP)	<u>32,817</u>	<u>4,049</u>	<u>-</u>	<u>(17,734)</u>	<u>19,132</u>
Total Capital Assets, Not Being Depreciated	<u>39,731</u>	<u>4,051</u>	<u>(314)</u>	<u>(17,734)</u>	<u>25,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 125,072</u>	<u>\$ 6,068</u>	<u>\$ (1,082)</u>	<u>\$ -</u>	<u>\$ 130,058</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Business-Type Activities					
Capital assets, being depreciated:					
Buildings and improvements	\$ 109,559	\$ 60	\$ -	\$ 206	\$ 109,825
Machinery, equipment, and furnishings	9,344	2	(7)	99	9,438
Infrastructure	<u>72,415</u>	<u>1,351</u>	<u>(25)</u>	<u>321</u>	<u>74,062</u>
Total Capital Assets, Being Depreciated	191,318	1,413	(32)	626	193,325
Less accumulated depreciation for:					
Buildings and improvements	(62,467)	(2,650)	-	-	(65,117)
Machinery, equipment, and furnishings	(5,800)	(575)	7	1	(6,367)
Infrastructure	<u>(21,907)</u>	<u>(1,115)</u>	<u>25</u>	<u>-</u>	<u>(22,997)</u>
Total Accumulated Depreciation	<u>(90,174)</u>	<u>(4,340)</u>	<u>32</u>	<u>1</u>	<u>(94,481)</u>
Capital Assets, Being Depreciated, Net	101,144	(2,927)	-	627	98,844
Capital assets, not being depreciated:					
Land	2,220	-	-	-	2,220
Construction in progress (CIP)	<u>26,008</u>	<u>5,622</u>	<u>-</u>	<u>(627)</u>	<u>31,003</u>
Total Capital Assets, Not Being Depreciated	<u>28,228</u>	<u>5,622</u>	<u>-</u>	<u>(627)</u>	<u>33,223</u>
Business-Type Activities Capital Assets, Net	<u>\$ 129,372</u>	<u>\$ 2,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,067</u>

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

Governmental Activities	
General government	\$ 693
Public safety	859
Education	1,800
Public works	2,604
Human services	305
Culture and recreation	<u>395</u>
Total Governmental Activities	\$ <u>6,656</u>
Business-Type Activities	
Water	\$ 1,813
Sewer	<u>2,527</u>
Total Business-Type Activities	\$ <u>4,340</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. Notes Payable

The City had the following notes outstanding at June 30, 2021:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2021</u>
MA Clean Water Trust interim note CWP 20-03	0.00%	10/08/20	n/a - interim	\$ 1,588,031
MA Clean Water Trust interim note CWP 20-03-A	0.00%	10/08/20	n/a - interim	318,040
Bond anticipation - water projects	0.60%	06/30/21	06/30/22	<u>800,000</u>
Total				\$ <u>2,706,071</u>

The following summarizes activity in notes payable during fiscal year 2021:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation - water projects	\$ 815,000	\$ 800,000	\$ (815,000)	\$ 800,000
MA Clean Water Trust interim notes	<u>1,548,434</u>	<u>1,906,071</u>	<u>(1,548,434)</u>	<u>1,906,071</u>
Total	<u>\$ 2,363,434</u>	<u>\$ 2,706,071</u>	<u>\$ (2,363,434)</u>	<u>\$ 2,706,071</u>

13. Unearned Revenue

Unearned revenue represents grant funds received by the City from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next few years.

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, 2021:

<u>Fiscal Year</u>	
2022	\$ 104,122
2023	104,122
2024	104,122
2025	<u>104,122</u>
Total payments	416,488
Less amounts representing interest	<u>(27,410)</u>
Present Value of Minimum Lease Payments	<u>\$ 389,078</u>

15. Long-Term Debt

General Obligation Bonds and Loans

The City issues general obligation bonds 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, 2021</u>
Governmental Activities			
<i>General Obligation Bonds</i>			
Multi-purpose (2013)	06/15/23	3.0 - 3.5	\$ 465,000
Multi-purpose (2019)	06/01/29	5.0	1,015,000
Multi-purpose (2020)	06/01/40	2.0 - 5.0	14,256,860
Multi-purpose (2021)	03/01/41	2.0 - 5.0	<u>8,538,729</u>
Total Governmental Activities			<u>\$ 24,275,589</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2021</u>
Business-Type Activities			
<i>General Obligation Bonds</i>			
General obligation 2021 - sewer portion	03/01/26	5.0	\$ 195,000
General obligation 2016 - sewer portion	06/30/26	2.0 - 4.0	1,425,000
2016 refunding - sewer portion	06/30/28	2.0 - 4.0	2,325,000
General obligation 2021 - water portion	03/01/31	3.0 - 5.0	605,007
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	1,000,000
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	1,030,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,140,000
General obligation 2019 - water portion	06/01/39	3.0 - 5.0	2,040,000
General obligation 2019 - sewer portion	06/01/39	3.0 - 5.0	940,000
General obligation 2020 - water portion	06/01/40	2.0 - 5.0	<u>3,163,700</u>
Total Direct Placements			13,863,707
<i>Notes From Direct Borrowings</i>			
Water treatment (MCWT 00-10A)	08/01/24	1.0 - 2.0	1,495,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0	170,000
Water treatment (MCWT 01-16)	07/15/25	-	2,337,644
Sewer (MCWT 03-12A)	07/15/25	2.0	1,803,311
Sewer (MCWT 03-12B)	07/15/26	2.0	558,877
Sewer (MCWT 08-03)	07/15/28	2.0	3,287,380
Sewer (MCWT 08-03A)	07/15/30	2.0	536,878
Sewer (MCWT 03-12C)	07/15/30	2.0	178,696
Sewer (MCWT 12-01)	07/15/35	2.0	4,146,824
Sewer (MCWT 12-02)	07/15/35	2.0	5,312,681
Sewer (MCWT 12-01A)	07/15/36	2.0	569,032
Sewer (MCWT 13-01)	07/15/36	2.0	10,432,817
Sewer (MCWT 13-01A)	01/15/37	2.0	1,011,429
Sewer (MCWT 16-05)	07/15/38	2.0	1,765,589
Sewer (MCWT 16-10)	07/15/38	2.0	8,279,963
Sewer (MCWT 16-10A)	07/15/39	2.0	10,760,728
Sewer (MCWT 16-10B)	01/15/41	2.0	<u>1,691,026</u>
Total Notes from Direct Borrowings			<u>54,337,875</u>
Total Business-Type Activities			<u>\$ 68,201,582</u>

Future Debt Service

The annual payments to retire all general obligation bonds and notes from direct borrowings outstanding as of June 30, 2021 are as follows:

Business-Type	Bonds - Direct Placements			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,585,414	\$ 520,799	\$ 2,106,213	\$ 4,006,588	\$ 990,364	\$ 4,996,952
2023	1,582,414	461,148	2,043,562	4,088,553	931,750	5,020,303
2024	1,572,414	396,450	1,968,864	4,171,944	860,710	5,032,654
2025	1,567,414	331,998	1,899,412	4,251,795	794,805	5,046,600
2026	1,552,414	267,900	1,820,314	3,888,140	727,381	4,615,521
2027 - 2031	4,363,639	666,646	5,030,285	14,915,543	2,708,902	17,624,445
2032 - 2036	1,170,000	163,517	1,333,517	13,848,663	1,264,613	15,113,276
2036 - 2040	469,998	28,050	498,048	5,166,649	197,900	5,364,549
Total	\$ 13,863,707	\$ 2,836,508	\$ 16,700,215	\$ 54,337,875	\$ 8,476,425	\$ 62,814,300

Changes in General Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable - direct placements	\$ 15,810	\$ 7,757	\$ (1,460)	\$ 22,107	\$ (1,602)	\$ 20,505
Unamortized bond premium	1,460	781	(73)	2,168	(128)	2,040
Subtotal - bonds payable	17,270	8,538	(1,533)	24,275	(1,730)	22,545
Net pension liability	125,575	-	(10,004)	115,571	-	115,571
Net OPEB liability	175,799	9,389	-	185,188	-	185,188
Compensated absences	3,772	-	(186)	3,586	-	3,586
Capital lease obligations	480	-	(91)	389	(93)	296
Total	\$ 322,896	\$ 17,927	\$ (11,814)	\$ 329,009	\$ (1,823)	\$ 327,186

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable - direct placements	\$ 14,110	\$ 718	\$ (1,520)	\$ 13,308	\$ (1,518)	\$ 11,790
Unamortized bond premium	533	82	(59)	556	(67)	489
Notes from direct borrowings	<u>57,871</u>	<u>1,557</u>	<u>(5,090)</u>	<u>54,338</u>	<u>(4,007)</u>	<u>50,331</u>
Subtotal - bonds payable	72,514	2,357	(6,669)	68,202	(5,592)	62,610
Net pension liability	13,136	-	(665)	12,471	-	12,471
Net OPEB liability	8,465	-	(173)	8,292	-	8,292
Compensated absences	<u>473</u>	<u>47</u>	<u>-</u>	<u>520</u>	<u>-</u>	<u>520</u>
Total	<u>\$ 94,588</u>	<u>\$ 2,404</u>	<u>\$ (7,507)</u>	<u>\$ 89,485</u>	<u>\$ (5,592)</u>	<u>\$ 83,893</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 2021.

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>
Governmental Funds		
General fund	\$ 1,085,664	\$ 792,763
Nonmajor Governmental Funds:		
Special revenue funds	167,763	1,019,379
Capital project funds	<u>625,000</u>	<u>66,285</u>
Subtotal Nonmajor Funds	<u>792,763</u>	<u>1,085,664</u>
Total Governmental Funds	\$ <u>1,878,427</u>	\$ <u>1,878,427</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, *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, 2021:

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 2021.

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, 2021:

	General <u>Fund</u>	Development Block Grant <u>Fund</u>	City Grants <u>Fund</u>	ARPA <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable						
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 2,319,528	\$ 2,319,528
Total Nonspendable	-	-	-	-	2,319,528	2,319,528
Restricted						
Bonded projects	-	-	-	-	1,320,013	1,320,013
Special revenue funds	-	289,230	1,170,998	544	12,106,038	13,566,810
Expendable permanent funds	-	-	-	-	3,156,409	3,156,409
Total Restricted	-	289,230	1,170,998	544	16,582,460	18,043,232
Assigned						
Encumbrances:						
General government	968,429	-	-	-	-	968,429
Public safety	107,278	-	-	-	-	107,278
Education	2,158,045	-	-	-	-	2,158,045
Public works	2,407,165	-	-	-	-	2,407,165
Health and human services	161,663	-	-	-	-	161,663
Culture and recreation	592,443	-	-	-	-	592,443
Employee benefits	14,485	-	-	-	-	14,485
Miscellaneous	17,067	-	-	-	-	17,067
Reserved for expenditures:						
Operating budget	2,475,000	-	-	-	-	2,475,000
Total Assigned	8,901,575	-	-	-	-	8,901,575
Unassigned						
General fund	11,042,467	-	-	-	-	11,042,467
General stabilization fund *	7,604,885	-	-	-	-	7,604,885
Deficit funds	-	-	(349,758)	-	(206,099)	(555,857)
Total Unassigned	18,647,352	-	(349,758)	-	(206,099)	18,091,495
Total Fund Balance	\$ 27,548,927	\$ 289,230	\$ 821,240	\$ 544	\$ 18,695,889	\$ 47,355,830

* 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 2021 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 \$530,000.

City Hall Lease

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

In September 2012, the City entered into a lease with the Fitchburg Redevelopment Authority (FRA) for two spaces totaling approximately 14,550 square feet. The initial term of the lease is from September 15, 2012 – December 31, 2016, with provisions for 3 one-year extensions. The lease was extended as of January 1, 2017. Per the extended lease terms, fixed base rent for the first space, consisting of approximately 8,400 square feet, is \$84,000 annually. The fixed base rent for the 2nd space (approximately 6,150 square feet) is \$61,500 annually. As of June 16, 2017, a 3rd space has been secured through an amendment to the original lease for an additional 2,000 square feet for a fixed annual rent amount of \$20,000, payable monthly. The leases with Fitchburg Redevelopment Authority for the spaces on Boulder Drive ended in February 2021.

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.

Participant 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 member's 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, 2021 was \$13,859,097, which was slightly more than 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, 2021, the City reported a liability of approximately \$128 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to December 31, 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, 2021, the City's proportion was 96.05%, which was a decrease of (0.98)% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$12.5 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	\$ 897	\$ (346)
Changes of assumptions	3,561	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(575)
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(8,170)</u>
Total	\$ <u>4,458</u>	\$ <u>(9,091)</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):

<u>Year ended June 30:</u>	
2022	\$ 631
2023	(650)
2024	(3,105)
2025	(1,483)
2026	<u>(26)</u>
Total	\$ <u>(4,633)</u>

Actuarial Assumptions

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal
Remaining amortization period	11 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	
Group 1 and 2	4.75%
Fire	15.75%
Police	7.30%
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 disabled members: Rates reflect the RP-2014 healthy annuitant table with a base year of 2006, set forward by 2 years (gender distinct).

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	13.00%	4.11%
International equities	13.00%	4.31%
Emerging equities	5.00%	6.07%
Hedged equity	8.00%	3.42%
Core bonds	6.00%	0.49%
Short-Term fixed income	2.00%	-0.20%
Treasury STRIPS	3.00%	-0.49%
TIPS/ILBs	4.00%	-0.10%
Value-added fixed income	8.00%	3.91%
Private equity	14.00%	7.83%
Real estate	10.00%	3.72%
Timberland	4.00%	4.31%
Portfolio completion (PCS)	<u>10.00%</u>	2.94%
Total	<u>100.00%</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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$157,600	\$128,042	\$103,041

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, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% 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 4.00% to 7.50% 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 Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (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, 2020 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%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
\$35,411,955	\$28,544,844	\$22,908,510

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 2020 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$142 million based on a proportionate share of 0.50%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution of approximately \$7.7 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$17.5 million as both a revenue and expense in the governmental activities.

22. Other Post-Employment Benefits

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, 2021.

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	782
Active employees	<u>1,023</u>
Total	<u><u>1,805</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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.40%. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation and salary increases	3.00%
Discount rate/municipal bond rate	2.18%
Healthcare cost trend rates	6.00% for 2021, fluctuating 0.5% to an ultimate rate of 5.0% as of 2023 and later years
Retirees' share of benefit-related costs	25% – 30%
Participation rate	80% of eligible employees

Mortality rates were based on PRI-2012 Mortality table with MP-2020 projection.

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, 2021 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 2.18%. 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 2.18% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2021.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows (in thousands):

Total OPEB liability	\$ 195,477
Plan fiduciary net position	<u>(1,998) *</u>
Net OPEB liability	<u>\$ 193,479</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.02%

* 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	\$ 185,769	\$ 1,505	\$ 184,264
Changes for the year:			
Service cost	7,076	-	7,076
Interest	4,875	-	4,875
Contributions - employer	-	5,085	(5,085)
Net investment income	-	443	(443)
Differences between expected and actual experience	(10,743)	-	(10,743)
Changes of assumptions	13,535	-	13,535
Benefit payments	<u>(5,035)</u>	<u>(5,035)</u>	<u>-</u>
Net Changes	<u>9,708</u>	<u>493</u>	<u>9,215</u>
Balance, End of Year	<u>\$ 195,477</u>	<u>\$ 1,998</u>	<u>\$ 193,479</u>

Changes in assumptions reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021 and a change in mortality from RP-2006 mortality table with an MP-2018 projection in 2020 to PRI-2012 mortality table with MP-2020 projection in 2021.

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>(1.18%)</u>	<u>(2.18%)</u>	<u>(3.18%)</u>
\$221,677	\$193,479	\$165,282

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>(5.00%)</u>	<u>(6.00%)</u>	<u>(7.00%)</u>
\$157,333	\$193,479	\$237,291

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

For the year ended June 30, 2021, the City recognized an OPEB expense of approximately \$13.8 million. At June 30, 2021, 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	\$ 426	\$ (9,391)
Changes of assumptions	20,562	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(358)</u>
Total	<u>\$ 20,988</u>	<u>\$ (9,749)</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>	
2022	\$ 1,926
2023	1,926
2024	1,934
2025	1,941
2026	1,308
Thereafter	<u>2,204</u>
Total	\$ <u>11,239</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, 2020)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds <u></u>
Assets			
Cash and short-term investments	\$ 1,833,532	\$ 50,018	\$ 1,883,550
Investments in external investment pools	147,557,551	1,947,615	149,505,166
Accounts receivable	<u>342,651</u>	<u>-</u>	<u>342,651</u>
Total Assets	149,733,734	1,997,633	151,731,367
Net Position			
Restricted for pension purposes	149,733,734	-	149,733,734
Restricted for OPEB purposes	<u>-</u>	<u>1,997,633</u>	<u>1,997,633</u>
Total Net Position	\$ <u>149,733,734</u>	\$ <u>1,997,633</u>	\$ <u>151,731,367</u>

Combining Statement of Changes in Plan Net Position

	Pension Trust Fund (December 31, 2020)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 14,399,804	\$ 5,085,291	\$ 19,485,095
Plan members	3,826,295	-	3,826,295
Other systems and Commonwealth of Massachusetts	389,479	-	389,479
Other	<u>46,830</u>	<u>-</u>	<u>46,830</u>
Total Contributions	18,662,408	5,085,291	23,747,699
Investment Income:			
Interest and dividends	-	442,536	442,536
Appreciation in fair value of investments	16,508,946	-	16,508,946
Less: Management fees	<u>(637,493)</u>	<u>-</u>	<u>(637,493)</u>
Net Investment Income	<u>15,871,453</u>	<u>442,536</u>	<u>16,313,989</u>
Total Additions	34,533,861	5,527,827	40,061,688
Deductions			
Benefit payments to plan members and beneficiaries	17,977,336	5,035,291	23,012,627
Refunds to plan members	389,671	-	389,671
Transfers to other systems	210,041	-	210,041
Administrative expenses	<u>232,327</u>	<u>-</u>	<u>232,327</u>
Total Deductions	<u>18,809,375</u>	<u>5,035,291</u>	<u>23,844,666</u>
Net Increase	15,724,486	492,536	16,217,022
Net Position Restricted for Pensions and OPEB Purposes			
Beginning of year	<u>134,009,248</u>	<u>1,505,097</u>	<u>135,514,345</u>
End of year	\$ <u>149,733,734</u>	\$ <u>1,997,633</u>	\$ <u>151,731,367</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, 2021 are as follows:

Claims liability, beginning of year	\$ 1,055,502
Claims incurred/recognized in fiscal year 2021	21,263,681
Claims paid in fiscal year 2021	<u>(20,936,237)</u>
Claims liability, end of year	\$ <u>1,382,946</u>

25. Change in Accounting Principle

During fiscal year 2021, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded through an agency fund to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position was required.

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 the City's 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 the City's 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.

Following the completion of the City's Wastewater Management Plan as required in the consent decree, an additional \$62.5 million of sewer separation and rehabilitation was identified as necessary to fully separate all remaining combined sewers in the City. The sewer rehabilitation included in these separation projects also fulfills the requirements of performing a sanitary sewer evaluation survey (SSES) program to address inflow/infiltration issues.

As of June 30, 2021 the City has incurred approximately \$84.05 million of engineering and construction costs related to consent decree projects (2012 to present), \$66.06 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

Encumbrances

At year-end, the City's General Fund has \$6,426,575 in encumbrances that will be honored in the next fiscal year.

27. Subsequent Events

Management has evaluated subsequent events through May 19, 2022, which is the date the financial statements were available to be issued.

Debt:

Subsequent to June 30, 2021, 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>
MCWT Interim Note CWP-21-07	\$ <u>1,048,700</u>	0.00%	03/01/22	n/a - interim

28. New Pronouncements

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. Management has not evaluated the effect this standard will have on the financial statements.

CITY OF FITCHBURG, MASSACHUSETTS

Required Supplementary Information

Statement of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 57,079,045	\$ 57,079,045	\$ 57,968,451	\$ 889,406
Excises	3,952,277	3,952,277	4,544,884	592,607
Penalties, interest and other taxes	906,500	906,500	1,953,375	1,046,875
Charges for services	6,884,800	6,884,800	6,723,860	(160,940)
Intergovernmental	68,760,427	68,760,427	68,658,590	(101,837)
Licenses and permits	900,000	900,000	1,239,252	339,252
Fines and forfeitures	140,000	140,000	104,737	(35,263)
Investment income	250,000	250,000	64,483	(185,517)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>848,989</u>	<u>845,989</u>
Total Revenues	138,876,049	138,876,049	142,106,621	3,230,572
Expenditures				
General government	5,046,666	5,173,541	4,772,055	401,486
Public safety	17,032,932	17,036,932	16,958,543	78,389
Education	65,962,370	65,962,370	63,688,124	2,274,246
Public works	4,196,954	4,941,954	4,813,726	128,228
Health and human services	4,439,304	4,464,304	4,148,771	315,533
Culture and recreation	1,683,829	1,963,829	1,690,876	272,953
Employee benefits	32,606,121	32,606,121	32,328,694	277,427
Miscellaneous	1,277,609	1,277,609	1,202,173	75,436
Debt service	2,125,412	2,125,412	2,125,176	236
Intergovernmental	<u>6,908,821</u>	<u>6,908,821</u>	<u>6,457,605</u>	<u>451,216</u>
Total Expenditures	<u>141,280,018</u>	<u>142,460,893</u>	<u>138,185,743</u>	<u>4,275,150</u>
Excess (Deficiency) of Revenues over Expenditures	(2,403,969)	(3,584,844)	3,920,878	7,505,722
Other Financing Sources (Uses)				
Transfers in	1,004,969	1,004,969	1,085,664	80,695
Transfers out	(710,000)	(1,110,000)	(1,142,763)	(32,763)
Use of free cash:				
Operating budget and capital items	2,109,000	3,289,875	-	(3,289,875)
Contribution to OPEB trust fund	-	50,000	-	(50,000)
Transfer to Stabilization fund	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>
Total Other Financing Sources (Uses)	<u>2,403,969</u>	<u>3,584,844</u>	<u>(57,099)</u>	<u>(3,641,943)</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,863,779</u>	\$ <u>3,863,779</u>

See Independent Auditor's Report and notes to the Required Supplementary Information.

**Notes to the Required Supplementary 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	\$ 149,163,304	\$ 144,612,582	\$ (292,901)
Remove the effect of adding the City's Stabilization fund per GASB 54	(40,407)	-	350,000
Reverse beginning of year appropriation carry- forwards from expenditures	-	(5,837,138)	-
Add end of year appropriation carryforwards to expenditures	-	6,426,575	-
Reverse the effect of grant reimbursements for indirect costs	713,791	713,791	-
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(7,730,067)</u>	<u>(7,730,067)</u>	<u>-</u>
Budgetary Basis	\$ <u>142,106,621</u>	\$ <u>138,185,743</u>	\$ <u>57,099</u>

See Independent Auditor's 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, 2021	December 31, 2020	96.05%	\$128,042	\$34,663	369.4%	52.90%
June 30, 2020	December 31, 2019	97.03%	\$138,711	\$33,665	412.0%	48.38%
June 30, 2019	December 31, 2018	96.36%	\$147,689	\$32,653	452.3%	43.10%
June 30, 2018	December 31, 2017	96.43%	\$137,513	\$31,420	437.7%	45.90%
June 30, 2017	December 31, 2016	96.28%	\$134,496	\$30,716	437.9%	42.90%
June 30, 2016	December 31, 2015	96.60%	\$123,193	\$29,049	424.1%	43.70%
June 30, 2015	December 31, 2014	96.55%	\$115,754	\$27,783	416.6%	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, 2021	June 30, 2020	0.50%	-	\$142,043	\$142,043	\$37,703	-	50.67%
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 notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's 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, 2021	December 31, 2020	\$13,831	\$13,859	(\$28)	\$34,449	40.23%
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, 2021	June 30, 2020	\$7,730	\$7,730	-	\$37,703	20.50%
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 notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

CITY OF FITCHBURG, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability
(Unaudited)
(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 7,076	\$ 6,654	5,936	\$ 5,828	\$ 5,434
Interest	4,875	4,826	4,836	4,747	4,868
Differences between expected and actual experience	(10,743)	(3)	(314)	4,697	-
Changes of assumptions	13,535	3,838	5,305	-	-
Benefit payments	<u>(5,035)</u>	<u>(5,044)</u>	<u>(5,074)</u>	<u>(5,467)</u>	<u>(5,412)</u>
Net Change in Total OPEB Liability	9,708	10,271	10,689	9,805	4,890
Total OPEB Liability - Beginning	<u>185,769</u>	<u>175,498</u>	<u>164,809</u>	<u>155,004</u>	<u>150,114</u>
Total OPEB Liability - Ending (a)	195,477	185,769	175,498	164,809	155,004
Plan Fiduciary Net Position					
Contributions - employer	5,085	5,294	5,324	5,717	5,712
Net investment income	443	67	23	67	42
Benefit payments	<u>(5,035)</u>	<u>(5,044)</u>	<u>(5,074)</u>	<u>(5,467)</u>	<u>(5,412)</u>
Net Change in Plan Fiduciary Net Position	493	317	273	317	342
Plan Fiduciary Net Position - Beginning	<u>1,505</u>	<u>1,188</u>	<u>915</u>	<u>598</u>	<u>256</u>
Plan Fiduciary Net Position - Ending (b)	<u>1,998</u>	<u>1,505</u>	<u>1,188</u>	<u>915</u>	<u>598</u>
Net OPEB Liability - Ending (a-b)	\$ <u><u>193,479</u></u>	\$ <u><u>184,264</u></u>	<u><u>174,310</u></u>	\$ <u><u>163,894</u></u>	\$ <u><u>154,406</u></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 Auditor's 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)

Schedule of Net OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 195,477	\$ 185,769	175,498	\$ 164,809	\$ 155,004
Plan fiduciary net position	<u>(1,998)</u>	<u>(1,505)</u>	<u>(1,188)</u>	<u>(915)</u>	<u>(598)</u>
Net OPEB Liability	<u>\$ 193,479</u>	<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	1.02%	0.81%	0.68%	0.56%	0.39%
Covered employee payroll	78,602	78,906	75,400	72,824	72,824
Net OPEB liability as a percentage of covered employee payroll	246.15%	233.52%	231.18%	225.05%	212.03%
Schedule of Contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 19,174	\$ 18,222	16,932	\$ 10,576	\$ 10,303
Contributions in relation to the actuarially determined contribution	<u>(5,085)</u>	<u>(5,294)</u>	<u>(5,324)</u>	<u>(5,717)</u>	<u>(5,712)</u>
Contribution Deficiency (Excess)	<u>\$ 14,089</u>	<u>\$ 12,928</u>	<u>11,608</u>	<u>\$ 4,859</u>	<u>\$ 4,591</u>
Covered employee payroll	78,602	78,906	75,400	72,824	72,824
Contributions as a percentage of covered employee payroll	6.47%	6.71%	7.06%	7.85%	7.84%
Schedule of Investment Returns	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	29.40%	5.50%	2.46%	8.90%	9.10%

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

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