



CITY OF FITCHBURG, MASSACHUSETTS

Financial Statements and Required
Supplementary Information
For the Year Ended June 30, 2022

(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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022 (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2021), 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 26 to the financial statements, in the year ending June 30, 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, 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 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
March 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fitchburg, Massachusetts (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022.

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 are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains 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. The City's 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 the City'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 City's near-term financing decisions. Reconciliations are provided 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 establish 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 service 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 City. 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 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 \$(119,503,181), a change of \$11,265,077, and net position in business-type activities was \$67,353,910, a change of \$5,865,004.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$48,737,182, a change of \$1,381,352 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,731,951, a change of \$84,599 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 year.

NET POSITION (in thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 102,474	\$ 82,253	\$ 24,705	\$ 22,756	\$ 127,179	\$ 105,009
Capital assets	<u>132,665</u>	<u>130,058</u>	<u>137,456</u>	<u>132,067</u>	<u>270,121</u>	<u>262,125</u>
Total Assets	235,139	212,311	162,161	154,823	397,300	367,134
Deferred Outflows of Resources	21,075	24,113	1,238	1,334	22,313	25,447
Liabilities						
Other liabilities	40,431	21,942	17,057	9,472	57,488	31,414
Long-term liabilities	<u>255,261</u>	<u>327,186</u>	<u>74,129</u>	<u>83,893</u>	<u>329,390</u>	<u>411,079</u>
Total Liabilities	295,692	349,128	91,186	93,365	386,878	442,493
Deferred Inflows of Resources	80,025	18,064	4,859	1,303	84,884	19,367
Net Position						
Net investment in capital assets	108,283	106,507	68,995	62,202	177,278	168,709
Restricted	19,473	18,693	-	-	19,473	18,693
Unrestricted	<u>(247,259)</u>	<u>(255,968)</u>	<u>(1,641)</u>	<u>(713)</u>	<u>(248,900)</u>	<u>(256,681)</u>
Total Net Position	\$ <u>(119,503)</u>	\$ <u>(130,768)</u>	\$ <u>67,354</u>	\$ <u>61,489</u>	\$ <u>(52,149)</u>	\$ <u>(69,279)</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At the close of the most recent fiscal year, total net position was \$(52,149,271), a change of \$17,130,081 in comparison to the prior year.

The largest portion of net position, \$177,277,950, 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, \$19,472,663, 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 \$(248,899,884), primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 15,991	\$ 16,600	\$ 21,363	\$ 19,995	\$ 37,354	\$ 36,595
Operating grants and contributions	97,752	96,230	-	-	97,752	96,230
Capital grants and contributions	2,917	6,736	424	1,242	3,341	7,978
General revenues:						
Property taxes	60,173	56,427	-	-	60,173	56,427
Excises	5,008	4,638	-	-	5,008	4,638
Penalties, interest, and other taxes	1,397	1,953	-	-	1,397	1,953
Grants and contributions not restricted to specific programs	11,791	9,917	-	-	11,791	9,917
Investment income (loss)	(560)	463	32	38	(528)	501
Miscellaneous	1,552	919	-	-	1,552	919
Total Revenues	196,021	193,883	21,819	21,275	217,840	215,158
Expenses						
General government	11,342	11,898	-	-	11,342	11,898
Public safety	27,681	31,003	-	-	27,681	31,003
Education	118,159	124,634	-	-	118,159	124,634
Public works	10,028	8,796	-	-	10,028	8,796
Health and human services	6,330	5,469	-	-	6,330	5,469
Culture and recreation	1,845	2,030	-	-	1,845	2,030
Miscellaneous	1,320	1,207	-	-	1,320	1,207
Interest on long-term debt	631	592	-	-	631	592
Intergovernmental	7,308	6,458	-	-	7,308	6,458
Water operations	-	-	5,821	6,085	5,821	6,085
Sewer operations	-	-	10,133	10,381	10,133	10,381
Total Expenses	184,644	192,087	15,954	16,466	200,598	208,553
Change in Net Position Before Transfers	11,377	1,796	5,865	4,809	17,242	6,605
Transfers In (Out)	(110)	-	-	-	(110)	-
Change in Net Position	11,267	1,796	5,865	4,809	17,132	6,605
Net Position - Beginning of Year	(130,768)	(132,564)	61,489	56,680	(69,279)	(75,884)
Net Position - End of Year	\$ (119,501)	\$ (130,768)	\$ 67,354	\$ 61,489	\$ (52,147)	\$ (69,279)

Fiscal year 2021 amounts were not restated because the application of Governmental Accounting Standards Board Statement No. 87, *Leases*, to prior amounts was not practical.

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$11,265,077. Key elements of this change are as follows:

General fund operations	\$ 3,256,416
Major fund - ARPA Fund revenues in excess of expenditures	59,679
Nonmajor Governmental Fund expenditures and other financing uses	
in excess of revenues and other financing sources	(1,934,743)
Internal service fund revenues in excess of expenditures	628,508
Capital assets purchases	10,219,294
Capital asset disposals, net	(736,143)
Depreciation expense in excess of principal debt service	(5,145,692)
Change in net pension liability, net of deferrals	6,302,168
Change in net OPEB liability, net of deferrals	(743,680)
Other	<u>(640,730)</u>
Total	\$ <u>11,265,077</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$5,865,004. Key elements of this change are as follows:

Water operations	\$ 1,237,727
Sewer operations	<u>4,627,277</u>
Total	\$ <u>5,865,004</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 the City'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 \$18,731,951, while total fund balance was \$30,805,343. 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, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
General Fund	\$ 11,025,625	\$ 11,042,467	\$ (16,842)	7.5%
Stabilization fund	<u>7,706,326</u>	<u>7,604,885</u>	<u>101,441</u>	<u>5.2%</u>
Total Unassigned Fund Balance	\$ 18,731,951	\$ 18,647,352	\$ 84,599	12.7%
Total Fund Balance	\$ 30,805,343	\$ 27,548,927	\$ 3,256,416	21.0%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$8,610,857.

The total fund balance of the General Fund changed by \$3,256,416 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 1,015,681
State and local revenues over budget	4,874,005
Transfers in and out in excess of budget	825,604
Budgetary appropriations unspent by departments	2,637,750
Use of free cash and overlay surplus as a funding source for nonrecurring expenses	(9,769,882)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	4,271,817
Other sources	(700,000)
Change in stabilization fund	<u>101,441</u>
Total	\$ <u>3,256,416</u>

ARPA Fund

The ARPA Fund accounts for COVID-19-related expenditures or negative economic impacts of COVID-19 funded by the America Rescue Plan Act (ARPA). The fund balance of the ARPA Fund changed by \$59,679 from investment income earned. At June 30, 2022, the ARPA Fund reported \$27,078,299 of received by unspent funding.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(1,934,743) primarily from timing differences between the receipt and disbursement of grants.

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 \$(1,641,245), a change of \$(928,730) 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 \$8,018,082. Major reasons for these amendments include:

Increase in general government appropriations	\$ 918,508
Increase in public safety department appropriations	1,980,486
Increase in education appropriations	600,000
Increase in department of public works appropriations	3,562,461
Increase in health and human services appropriations	46,979
Increase in culture and recreation appropriations	33,826
Increase in employee benefits appropriations	75,822
Contribution to the OPEB Trust Fund	450,000
Transfer to stabilization fund	<u>350,000</u>
Total	<u>\$ 8,018,082</u>

Of this increase, \$7,994,882 was funded by free cash and \$23,200 was funded by a transfer in from another fund.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$270,120,732 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

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

Depreciation expense - governmental activities	\$ (6,876,144)
Depreciation expense - business-type activities	(4,409,365)
Loss on disposition of assets - governmental activities	(736,143)
Loss on disposition of assets - business-type activities	(276)
Land improvements	
Sam Pawlak playground	435,793
Infrastructure	
Sidewalk improvements	1,872,374
Water mains and hydrants	149,554
Building and improvements	
City hall	227,325
Longsjo roof attic sprinkler	268,800
Airport hangar	60,235
Foreclosures	356,300
Departmental vehicles and equipment	
General government	102,468
Public safety	416,590
Education	90,070
Public works	199,612
Culture and recreation	169,714
Sewer	120,643
Water	121,295
Land	
Foreclosed properties	213,100
Construction in progress	
Airport runway	101,922
Crocker School building repairs	1,576,742
Falulah main replacement	1,267,566
Putnam St parking garage	136,654
South St boiler and roof	115,202
Other projects	523,117
Main Street CSO separation	1,830,600
Claredon St sewer project	5,089,972
Main & Boulder conversion	3,353,276
SCADA replacement	483,498
Water meter upgrade	310,474
Other projects - water	424,895

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$85,154,716, all of which was backed by the full faith and credit of the City.

During fiscal year 2022, the S&P credit rating changed from A+ to AA-.

Additional information on long-term debt can be found in the Notes to 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 City'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, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 80,546,207	\$ 20,030,060	\$ 100,576,267
Investments	11,991,116	-	11,991,116
Receivables, net of allowance for uncollectibles:			
Property taxes	947,798	-	947,798
Excises	1,144,628	-	1,144,628
User fees	-	4,674,514	4,674,514
Departmental and other	65,623	-	65,623
Intergovernmental	5,469,130	-	5,469,130
Other assets	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Current Assets	100,224,502	24,704,574	124,929,076
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	773,395	-	773,395
Loans	1,476,368	-	1,476,368
Capital assets:			
Nondepreciable capital assets	15,269,912	17,570,299	32,840,211
Other capital assets, net of accumulated depreciation	<u>117,394,616</u>	<u>119,885,905</u>	<u>237,280,521</u>
Total Noncurrent Assets	<u>134,914,291</u>	<u>137,456,204</u>	<u>272,370,495</u>
Total Assets	235,138,793	162,160,778	397,299,571
Deferred Outflows of Resources			
Related to pension	4,433,121	493,116	4,926,237
Related to OPEB	<u>16,641,818</u>	<u>745,128</u>	<u>17,386,946</u>
Total Deferred Outflows of Resources	21,074,939	1,238,244	22,313,183

(continued)

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

CITY OF FITCHBURG, MASSACHUSETTS

Statement of Net Position

June 30, 2022

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	5,937,524	1,769,673	7,707,197
Accrued payroll and withholdings	3,948,306	-	3,948,306
Accrued interest payable	-	478,970	478,970
Accrued claims payable	1,607,818	-	1,607,818
Unearned revenue	27,078,299	-	27,078,299
Notes payable	-	9,136,975	9,136,975
Other current liabilities	50,139	-	50,139
Current portion of long-term liabilities:			
Bonds and loans payable	<u>1,809,352</u>	<u>5,670,967</u>	<u>7,480,319</u>
Total Current Liabilities	40,431,438	17,056,585	57,488,023
Noncurrent:			
Bonds and loans payable, net of current portion	21,031,557	56,938,612	77,970,169
Net pension liability	98,206,608	10,923,968	109,130,576
Net OPEB liability	132,177,990	5,918,192	138,096,182
Compensated absences liability	<u>3,844,448</u>	<u>348,774</u>	<u>4,193,222</u>
Total Noncurrent Liabilities	<u>255,260,603</u>	<u>74,129,546</u>	<u>329,390,149</u>
Total Liabilities	295,692,041	91,186,131	386,878,172
Deferred Inflows of Resources			
Related to pension	19,677,018	2,188,764	21,865,782
Related to OPEB	59,637,140	2,670,217	62,307,357
Other	<u>710,714</u>	<u>-</u>	<u>710,714</u>
Total Deferred Inflows of Resources	80,024,872	4,858,981	84,883,853
Net Position			
Net investment in capital assets	108,282,795	68,995,155	177,277,950
Restricted for:			
Grants and other statutory restrictions	14,344,914	-	14,344,914
Endowment funds:			
Nonexpendable	2,370,615	-	2,370,615
Expendable	2,757,134	-	2,757,134
Unrestricted	<u>(247,258,639)</u>	<u>(1,641,245)</u>	<u>(248,899,884)</u>
Total Net Position	\$ <u>(119,503,181)</u>	\$ <u>67,353,910</u>	\$ <u>(52,149,271)</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, 2022

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	
		Services	Grants and	Grants and	Activities	Type	
			Contributions	Contributions		Activities	Total
		Expenses					
Governmental Activities							
General government	\$ 11,342,247	\$ 2,989,606	\$ 4,344,385	\$ 1,259,696	\$ (2,748,560)	\$ -	\$ (2,748,560)
Public safety	27,682,305	4,486,582	766,837	-	(22,428,886)	-	(22,428,886)
Education	118,159,397	4,163,668	89,865,674	252,990	(23,877,065)	-	(23,877,065)
Public works	10,028,486	1,262,388	709,042	1,404,712	(6,652,344)	-	(6,652,344)
Health and human services	6,329,920	2,923,294	1,803,378	-	(1,603,248)	-	(1,603,248)
Culture and recreation	1,845,309	165,572	262,817	-	(1,416,920)	-	(1,416,920)
Miscellaneous	1,320,099	-	-	-	(1,320,099)	-	(1,320,099)
Interest on long-term debt	631,133	-	-	-	(631,133)	-	(631,133)
Intergovernmental	7,307,761	-	-	-	(7,307,761)	-	(7,307,761)
Total Governmental Activities	184,646,657	15,991,110	97,752,133	2,917,398	(67,986,016)	-	(67,986,016)
Business-Type Activities							
Water operations	5,820,713	6,416,513	-	403,287	-	999,087	999,087
Sewer operations	10,132,790	14,946,109	-	20,965	-	4,834,284	4,834,284
Total Business-Type Activities	15,953,503	21,362,622	-	424,252	-	5,833,371	5,833,371
Total	\$ 200,600,160	\$ 37,353,732	\$ 97,752,133	\$ 3,341,650	(67,986,016)	5,833,371	(62,152,645)
General Revenues and Transfers							
Property taxes					60,172,939	-	60,172,939
Excises					5,007,692	-	5,007,692
Penalties, interest, and other taxes					1,396,567	-	1,396,567
Grants and contributions not restricted to specific programs					11,791,054	-	11,791,054
Investment income (loss)					(559,573)	31,633	(527,940)
Miscellaneous					1,552,020	-	1,552,020
Transfers					(109,606)	-	(109,606)
Total General Revenues and Transfers					79,251,093	31,633	79,282,726
Change in Net Position					11,265,077	5,865,004	17,130,081
Net Position							
Beginning of Year					(130,768,258)	61,488,906	(69,279,352)
End of Year					\$ (119,503,181)	\$ 67,353,910	\$ (52,149,271)

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

CITY OF FITCHBURG, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 28,547,291	\$ 27,153,838	\$ 14,573,462	\$ 70,274,591
Investments	7,652,725	-	4,338,391	11,991,116
Receivables:				
Property taxes	1,143,396	-	-	1,143,396
Excises	1,836,312	-	-	1,836,312
Departmental and other	53,992	-	11,631	65,623
Intergovernmental	1,002,074	-	3,978,089	4,980,163
Tax title and demolition liens	3,086,761	-	-	3,086,761
Loans, net of allowance for uncollectibles	-	-	1,476,368	1,476,368
Other assets	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total Assets	\$ <u>43,382,551</u>	\$ <u>27,153,838</u>	\$ <u>24,377,941</u>	\$ <u>94,914,330</u>
Liabilities				
Warrants and accounts payable	\$ 2,512,463	\$ 15,316	\$ 3,409,745	\$ 5,937,524
Accrued payroll and withholdings	3,744,141	-	204,165	3,948,306
Unearned revenue	-	27,078,299	-	27,078,299
Other liabilities	<u>50,139</u>	<u>-</u>	<u>-</u>	<u>50,139</u>
Total Liabilities	6,306,743	27,093,615	3,613,910	37,014,268
Deferred Inflows of Resources				
Unavailable revenues	6,270,465	-	2,892,415	9,162,880
Fund Balances				
Nonspendable	-	-	2,370,615	2,370,615
Restricted	-	60,223	18,453,834	18,514,057
Assigned	12,073,392	-	-	12,073,392
Unassigned	<u>18,731,951</u>	<u>-</u>	<u>(2,952,833)</u>	<u>15,779,118</u>
Total Fund Balances	<u>30,805,343</u>	<u>60,223</u>	<u>17,871,616</u>	<u>48,737,182</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>43,382,551</u>	\$ <u>27,153,838</u>	\$ <u>24,377,941</u>	\$ <u>94,914,330</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, 2022

Total Governmental Fund Balances	\$ 48,737,182
<ul style="list-style-type: none"> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. 	132,664,528
<ul style="list-style-type: none"> Deferred outflows of resources related to pension to be recognized in pension expense in future periods. 	4,433,121
<ul style="list-style-type: none"> Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	16,641,818
<ul style="list-style-type: none"> Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection. 	5,962,232
<ul style="list-style-type: none"> The 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 governmental activities in the Statement of Net Position. 	8,442,051
<ul style="list-style-type: none"> Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. 	
Bonds and loans payable	(22,840,909)
Net pension liability	(98,206,608)
Net OPEB liability	(132,177,990)
Compensated absences liability	(3,844,448)
<ul style="list-style-type: none"> Deferred inflows of resources related to pension to be recognized in pension expense in future periods. 	(19,677,018)
<ul style="list-style-type: none"> Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	<u>(59,637,140)</u>
Net Position of Governmental Activities	\$ <u>(119,503,181)</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, 2022

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 60,323,916	\$ -	\$ -	\$ 60,323,916
Excises	4,950,047	-	-	4,950,047
Penalties, interest, and other taxes	1,396,567	-	-	1,396,567
Charges for services	6,013,309	-	2,346,845	8,360,154
Intergovernmental	83,245,504	213,433	29,146,946	112,605,883
Licenses and permits	1,470,221	-	-	1,470,221
Fines and forfeitures	131,550	-	-	131,550
Investment income (loss)	(228,855)	59,679	(398,821)	(567,997)
Miscellaneous	<u>601,934</u>	<u>-</u>	<u>244,560</u>	<u>846,494</u>
Total Revenues	157,904,193	273,112	31,339,530	189,516,835
Expenditures				
Current:				
General government	6,213,352	1,420	5,995,011	12,209,783
Public safety	17,728,901	-	2,151,861	19,880,762
Education	76,391,032	-	19,314,786	95,705,818
Public works	5,219,737	15,170	3,395,271	8,630,178
Health and human services	4,342,266	184,198	795,234	5,321,698
Culture and recreation	1,409,544	12,645	277,914	1,700,103
Employee benefits	33,324,832	-	263,258	33,588,090
Miscellaneous	1,320,099	-	-	1,320,099
Debt service:				
Principal	1,602,000	-	-	1,602,000
Interest	759,585	-	-	759,585
Intergovernmental	<u>7,307,761</u>	<u>-</u>	<u>-</u>	<u>7,307,761</u>
Total Expenditures	<u>155,619,109</u>	<u>213,433</u>	<u>32,193,335</u>	<u>188,025,877</u>
Excess (Deficiency) of Revenues Over Expenditures	2,285,084	59,679	(853,805)	1,490,958
Other Financing Sources (Uses)				
Transfers in	1,118,462	-	147,130	1,265,592
Transfers out	<u>(147,130)</u>	<u>-</u>	<u>(1,228,068)</u>	<u>(1,375,198)</u>
Total Other Financing Sources (Uses)	<u>971,332</u>	<u>-</u>	<u>(1,080,938)</u>	<u>(109,606)</u>
Change in Fund Balance	3,256,416	59,679	(1,934,743)	1,381,352
Fund Balance, at Beginning of Year, as reclassified	<u>27,548,927</u>	<u>544</u>	<u>19,806,359</u>	<u>47,355,830</u>
Fund Balance, at End of Year	\$ <u><u>30,805,343</u></u>	\$ <u><u>60,223</u></u>	\$ <u><u>17,871,616</u></u>	\$ <u><u>48,737,182</u></u>

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

CITY OF FITCHBURG, MASSACHUSETTS

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022**

Net Changes in Fund Balances - Total Governmental Funds **\$ 1,381,352**

- 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:

Capital asset purchases	10,219,294
Net effect from disposal of assets	(736,143)
Depreciation	(6,876,144)
- 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:

Repayments of general obligation bonds and loans	1,602,000
Bond premium amortization	128,452
Lease payments	93,306
- 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 certain 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. (475,848)
- 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 governmental funds:

Change in net pension liability and related deferred outflows and inflows	6,302,168
Change in net OPEB liability and related deferred outflows and inflows	(743,680)
Change in compensated absences liability	(258,188)
- The internal service fund is used by management to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities. 628,508

Changes in Net Position of Governmental Activities **\$ 11,265,077**

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

CITY OF FITCHBURG, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>	Internal Service <u>Fund</u>
Assets				
Current:				
Cash and short-term investments	\$ 2,455,044	\$ 17,575,016	\$ 20,030,060	\$ 10,271,616
User fees receivables, net of allowance for uncollectibles	1,381,073	3,293,441	4,674,514	-
Intergovernmental receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>488,967</u>
Total Current Assets	3,836,117	20,868,457	24,704,574	10,760,583
Noncurrent:				
Capital assets:				
Nondepreciable capital assets	8,261,812	9,308,487	17,570,299	-
Other capital assets, net of accumulated depreciation	<u>38,151,697</u>	<u>81,734,208</u>	<u>119,885,905</u>	<u>-</u>
Total Noncurrent Assets	<u>46,413,509</u>	<u>91,042,695</u>	<u>137,456,204</u>	<u>-</u>
Total Assets	50,249,626	111,911,152	162,160,778	10,760,583
Deferred Outflows of Resources				
Related to pension	204,439	288,677	493,116	-
Related to OPEB	<u>329,449</u>	<u>415,679</u>	<u>745,128</u>	<u>-</u>
Total Deferred Outflows of Resources	533,888	704,356	1,238,244	-

(continued)

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

CITY OF FITCHBURG, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

(continued)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Liabilities				
Current:				
Warrants payable	\$ 489,149	\$ 1,280,524	\$ 1,769,673	\$ -
Accrued interest payable	-	478,970	478,970	-
Accrued claims payable	-	-	-	1,607,818
Notes payable	2,200,000	6,936,975	9,136,975	-
Current portion of long-term liabilities:				
Bonds and loans payable	<u>1,504,942</u>	<u>4,166,025</u>	<u>5,670,967</u>	<u>-</u>
Total Current Liabilities	4,194,091	12,862,494	17,056,585	1,607,818
Noncurrent:				
Bonds and loans payable, net of current portion	7,673,466	49,265,146	56,938,612	-
Net pension liability	4,528,919	6,395,049	10,923,968	-
Net OPEB liability	2,616,656	3,301,536	5,918,192	-
Compensated absences liability	<u>148,193</u>	<u>200,581</u>	<u>348,774</u>	<u>-</u>
Total Noncurrent Liabilities	<u>14,967,234</u>	<u>59,162,312</u>	<u>74,129,546</u>	<u>-</u>
Total Liabilities	19,161,325	72,024,806	91,186,131	1,607,818
Deferred Inflows of Resources				
Related to pension	907,430	1,281,334	2,188,764	-
Related to OPEB	1,180,604	1,489,613	2,670,217	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,714</u>
Total Deferred Inflows of Resources	2,088,034	2,770,947	4,858,981	710,714
Net Position				
Net investment in capital assets	35,792,782	33,202,373	68,995,155	-
Unrestricted	<u>(6,258,627)</u>	<u>4,617,382</u>	<u>(1,641,245)</u>	<u>8,442,051</u>
Total Net Position	\$ <u>29,534,155</u>	\$ <u>37,819,755</u>	\$ <u>67,353,910</u>	\$ <u>8,442,051</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 Net Position
For the Year Ended June 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
Operating Revenues				
Charges for services	\$ 6,416,513	\$ 14,946,109	\$ 21,362,622	\$ -
Employee contributions	-	-	-	5,822,199
Employer contributions	-	-	-	16,163,135
Miscellaneous	-	-	-	705,526
Total Operating Revenues	<u>6,416,513</u>	<u>14,946,109</u>	<u>21,362,622</u>	<u>22,690,860</u>
Operating Expenses				
Salary and benefits	1,395,227	2,137,732	3,532,959	-
Operating expenses	1,166,140	2,410,721	3,576,861	-
Depreciation	1,818,657	2,590,708	4,409,365	-
Administrative assessments	920,000	1,150,000	2,070,000	-
Employee benefits	-	-	-	22,070,776
Other	<u>311,866</u>	<u>600,904</u>	<u>912,770</u>	<u>-</u>
Total Operating Expenses	<u>5,611,890</u>	<u>8,890,065</u>	<u>14,501,955</u>	<u>22,070,776</u>
Operating Income	804,623	6,056,044	6,860,667	620,084
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	403,287	20,965	424,252	-
Investment income	1,390	30,243	31,633	8,424
Interest expense	<u>(208,823)</u>	<u>(1,242,725)</u>	<u>(1,451,548)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>195,854</u>	<u>(1,191,517)</u>	<u>(995,663)</u>	<u>8,424</u>
Income Before Transfers	1,000,477	4,864,527	5,865,004	628,508
Transfers in	237,250	-	237,250	-
Transfers out	<u>-</u>	<u>(237,250)</u>	<u>(237,250)</u>	<u>-</u>
Change in Net Position	1,237,727	4,627,277	5,865,004	628,508
Net Position, at Beginning of Year	<u>28,296,428</u>	<u>33,192,478</u>	<u>61,488,906</u>	<u>7,813,543</u>
Net Position, at End of Year	\$ <u>29,534,155</u>	\$ <u>37,819,755</u>	\$ <u>67,353,910</u>	\$ <u>8,442,051</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, 2022

	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	\$ 6,270,039	\$ 14,318,355	\$ 20,588,394	\$ -
Receipts from employees and employer	-	-	-	22,553,217
Payments to employees	(2,600,029)	(3,443,703)	(6,043,732)	-
Payments to vendors	(1,126,916)	(2,262,116)	(3,389,032)	-
Payments of employee benefits and expenses	-	-	-	(21,983,044)
Net Cash Provided By Operating Activities	2,543,094	8,612,536	11,155,630	570,173
Cash Flows From Non-Capital and Related Financing Activities				
Transfers in	237,250	-	237,250	-
Transfers out	-	(237,250)	(237,250)	-
Net Cash Provided By (Used For) Non-Capital Financing Activities	237,250	(237,250)	-	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(2,757,006)	(7,041,215)	(9,798,221)	-
Intergovernmental revenue	403,287	20,965	424,252	-
Proceeds of notes	2,200,000	5,030,904	7,230,904	-
Principal payments on bonds and loans	(1,492,943)	(3,719,474)	(5,212,417)	-
Principal payments on notes	(800,000)	-	(800,000)	-
Interest paid	(208,823)	(1,268,579)	(1,477,402)	-
Net Cash (Used For) Capital and Related Financing Activities	(2,655,485)	(6,977,399)	(9,632,884)	-
Cash Flows From Investing Activities				
Investment income	1,390	30,243	31,633	8,424
Net Cash Provided By Investing Activities	1,390	30,243	31,633	8,424
Net Change in Cash and Short-Term Investments	126,249	1,428,130	1,554,379	578,597
Cash and Short-Term Investments, Beginning of Year	2,328,795	16,146,886	18,475,681	9,693,019
Cash and Short-Term Investments, End of Year	\$ 2,455,044	\$ 17,575,016	\$ 20,030,060	\$ 10,271,616

(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, 2022

(continued)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	\$ 804,623	\$ 6,056,044	\$ 6,860,667	\$ 620,084
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,818,657	2,590,708	4,409,365	-
Changes in assets and liabilities and deferred outflows/inflows:				
User fees receivable / other receivables	(146,474)	(627,754)	(774,228)	(320,575)
Deferred outflows - related to pension	(20,761)	(38,126)	(58,887)	-
Deferred outflows - related to OPEB	68,235	86,095	154,330	-
Warrants and other payables	351,090	749,509	1,100,599	87,732
Accrued liabilities	-	-	-	182,932
Net pension liability	(746,410)	(800,910)	(1,547,320)	-
Net OPEB liability	(1,049,401)	(1,324,071)	(2,373,472)	-
Compensated absences liability	(65,222)	(105,913)	(171,135)	-
Deferred inflows - related to pension	532,869	770,403	1,303,272	-
Deferred inflows - related to OPEB	<u>995,888</u>	<u>1,256,551</u>	<u>2,252,439</u>	<u>-</u>
Net Cash Provided By Operating Activities	\$ <u>2,543,094</u>	\$ <u>8,612,536</u>	\$ <u>11,155,630</u>	\$ <u>570,173</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, 2022

	Pension and OPEB <u>Trust Fund</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 1,279,951	\$ 874,694
Investments in external investment pools	178,871,900	-
Accounts receivable	<u>357,220</u>	<u>-</u>
Total Assets	180,509,071	874,694
Liabilities		
Warrants and accounts payable	4,851	1,731
Other liabilities	<u>-</u>	<u>633,060</u>
Total Liabilities	4,851	634,791
Net Position		
Restricted for pension	178,180,052	-
Restricted for OPEB	2,324,168	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>239,903</u>
Total Net Position	\$ <u><u>180,504,220</u></u>	\$ <u><u>239,903</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, 2022

	Pension and OPEB <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions		
Contributions:		
Employer	\$ 20,929,179	\$ -
Plan members	4,108,325	-
Other systems and Commonwealth of Massachusetts	373,111	-
Other	27,908	-
Fees collected for State of Massachusetts	-	30,725
Fees collected for other entities and individuals	<u>-</u>	<u>278,144</u>
Total Contributions	25,438,523	308,869
Investment Income:		
Investment income (loss)	(123,465)	-
Appreciation in fair value of investments	29,701,459	-
Less: Management fees	<u>(796,448)</u>	<u>-</u>
Net Investment Income	<u>28,781,546</u>	<u>-</u>
Total Additions	54,220,069	308,869
Deductions		
Benefit payments to plan members and beneficiaries	23,906,938	-
Refunds to plan members	446,763	-
Transfers to other systems	823,191	-
Administrative expenses	270,324	-
Payments of fees to State of Massachusetts	-	31,838
Payments of fees to other entities and individuals	<u>-</u>	<u>305,485</u>
Total Deductions	<u>25,447,216</u>	<u>337,323</u>
Net Increase (Decrease)	28,772,853	(28,454)
Transfers In	<u>-</u>	<u>109,606</u>
Change in Net Position	28,772,853	81,152
Restricted Net Position		
Beginning of Year	<u>151,731,367</u>	<u>158,751</u>
End of Year	\$ <u><u>180,504,220</u></u>	\$ <u><u>239,903</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, Massachusetts (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the significant accounting policies of the City:

Reporting Entity

The City is a municipal corporation governed by an elected City Council. As required by GAAP, these financial statements present the City and applicable component units for which the City is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component unit requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (as amended). 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) 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 the 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. 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 City'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 *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 funds 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 (enterprise) funds:

- The *Water Fund* is used to account for the operations related to providing the City's water services and supporting infrastructure.
- The *Sewer 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 Fund* is 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 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 short-term investments.

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

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

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. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include land and improvements, buildings and improvements, machinery, equipment, furnishings, construction in progress, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City 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 and improvements	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 current assets/deferred outflows and current liabilities/deferred inflows. 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, as follows.

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) 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 2022.
- *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, and deficit funds. 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 use either through 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 GAAP 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 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, 2022. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental revenues and bond proceeds.

3. Deposits and Investments – City

Massachusetts General Laws (MGL), Chapter 44, Section 55 place 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 consist 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.

Deposits

Custodial Credit Risk

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, 2022, none of the City's bank balance of \$101,603,000 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$43,898 was invested in MMDT, which is not subject to this disclosure.

Investments

The following is a summary of the City's investments as of June 30, 2022 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 759
Corporate bonds	3,704
Corporate equities	918
Equity mutual funds	1,118
Federal agency securities	1,321
U.S. Treasury notes	<u>4,171</u>
Total	\$ <u>11,991</u>

Custodial Credit Risk

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, 2022, \$1,989,804 was subject to custodial credit risk exposure because the related securities were uninsured, unregistered, and held by the City's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
Corporate bonds	\$ 3,704	\$ 638	\$ -
Corporate equities	918	918	-
Equity mutual funds	1,118	434	-
Federal agency securities	1,321	-	-
U.S. Treasury notes	<u>4,171</u>	<u>-</u>	<u>-</u>
Total	\$ <u>11,232</u>	\$ <u>1,990</u>	\$ <u>-</u>

Credit Risk – Investments in 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 Laws, Chapter 44, Section 55, limit 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 has a separate investment policy that requires investments 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, 2022, the credit quality ratings, as rated by S&P Global Ratings, of the City's debt securities were 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>A+/A/A-</u>	<u>BBB+</u>	<u>BBB</u>
Corporate bonds	\$ 3,704	\$ -	\$ 2,006	\$ 779	\$ 919
Federal agency securities	<u>1,321</u>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,025</u>	\$ <u>1,321</u>	\$ <u>2,006</u>	\$ <u>779</u>	\$ <u>919</u>

Concentration of Credit Risk

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, 2022, the City did not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in 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 separate investments 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 was as follows at June 30, 2022 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		Less <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 3,704	\$ 354	\$ 3,350	\$ -
Federal agency securities	1,321	221	689	411
U.S. Treasury notes	<u>4,171</u>	<u>1,255</u>	<u>2,495</u>	<u>421</u>
Total	\$ <u>9,196</u>	\$ <u>1,830</u>	\$ <u>6,534</u>	\$ <u>832</u>

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 City does not have formal investment policies related to foreign currency risk.

At June 30, 2022, none of the City's investments were exposed 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 an asset or liability 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 are accessible 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, 2022 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate bonds	\$ 3,704	\$ -	\$ 3,704	\$ -
Corporate equities	918	918	-	-
Equity mutual funds	1,118	1,118	-	-
Federal agency securities	1,321	-	1,321	-
U.S. Treasury notes	<u>4,171</u>	<u>-</u>	<u>4,171</u>	<u>-</u>
Total	\$ <u>11,232</u>	\$ <u>2,036</u>	\$ <u>9,196</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 security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is 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 OPEB Trust Fund's investment policies mirror that of the City as discussed in the previous note.

All of the OPEB Trust Fund's assets at June 30, 2022 of \$2,324,168 were invested in an external investment pool – State Retirees Benefits Trust Fund (SRBT).

Custodial Credit Risk

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

Credit Risk – Investments in Debt Securities

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

All of the OPEB Trust Fund's 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's 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>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>2,324</u>	\$ <u>-</u>	Monthly	30 days

5. Investments – Pension Trust Fund (The System)

All of the Fitchburg Contributory Retirement System's (the System) investments at December 31, 2021 totaling \$176,547,732 were in an external State investment pool – Pension Reserves Investment Trust (PRIT).*

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Laws (MGL), Chapter 32, Section 22, in December 1983. 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 MGL, 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, investments or collateral securities that are in the possession of another party will not be recovered. The System does not have formal investment policies related to custodial credit risk.

The System's investments at December 31, 2021 of \$176,547,732 were held in PRIT, 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 in 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 Laws, Chapter 32, Section 23, limit the investment of pension funds, to the extent not required for current disbursements, in PRIT 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 of Massachusetts, 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 Laws, Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of investments in PRIT.

Investments held in 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 value 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.

At December 31, 2021, none of the System's investments were exposed 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*.

Due to the nature of the System's investments, they are measured at net asset value.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

The System had the following investments measured at NAV at June 30, 2022 (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>176,548</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% of 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, respectively.

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. The actual fiscal year 2022 tax levy reflected an excess capacity of \$4,499.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. 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, 2022, consisted of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 869,267	\$ (13,443)	\$ 855,824	\$ -
Personal property taxes	274,129	(182,155)	91,974	-
Tax liens	2,323,597	(1,626,519)	-	697,078
Demo tax title	729,066	(656,159)	-	72,907
Demo liens	<u>34,098</u>	<u>(30,688)</u>	<u>-</u>	<u>3,410</u>
Total Property Taxes	\$ <u>4,230,157</u>	\$ <u>(2,508,964)</u>	\$ <u>947,798</u>	\$ <u>773,395</u>
Motor vehicle excise	\$ <u>1,836,312</u>	\$ <u>(691,684)</u>	\$ <u>1,144,628</u>	\$ <u>-</u>

7. User Fees Receivable

Receivables for user fees and betterments at June 30, 2022, consisted of the following:

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
<u>Receivables</u>			
Water	\$ 1,589,302	\$ (208,229)	\$ 1,381,073
Sewer	<u>3,739,123</u>	<u>(445,682)</u>	<u>3,293,441</u>
Total	\$ <u>5,328,425</u>	\$ <u>(653,911)</u>	\$ <u>4,674,514</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

9. Loans Receivable

The loan receivable balance represents loans issued to individuals for home improvement and mortgage financing. The loans were issued through the City's Community Development Block Grant and HOME Grant programs.

Loan balances as of June 30, 2022, consisted of the following:

	Loan <u>Balance</u>
CDBG - consumer loans	\$ 353,809
CDBG - mortgage/financing loans	45,129
HOME - mortgage/financing loans	<u>1,077,430</u>
Total	\$ <u>1,476,368</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Convert <u>CIP</u>	Ending <u>Balance</u>
Governmental Activities					
Capital Assets, Being Depreciated:					
Land improvements	\$ 14,125	\$ 436	\$ -	\$ 15,611	\$ 30,172
Buildings and improvements	113,279	913	(333)	669	114,528
Machinery, equipment, and furnishings	28,118	978	(92)	-	29,004
Infrastructure	<u>82,674</u>	<u>1,872</u>	<u>(885)</u>	<u>49</u>	<u>83,710</u>
Total Capital Assets, Being Depreciated	238,196	4,199	(1,310)	16,329	257,414
Less Accumulated Depreciation For:					
Land improvements	(7,113)	(774)	-	-	(7,887)
Buildings and improvements	(53,477)	(3,149)	-	-	(56,626)
Machinery, equipment, and furnishings	(22,683)	(1,543)	92	-	(24,134)
Infrastructure	<u>(50,599)</u>	<u>(1,410)</u>	<u>637</u>	<u>-</u>	<u>(51,372)</u>
Total Accumulated Depreciation	<u>(133,872)</u>	<u>(6,876)</u>	<u>729</u>	<u>-</u>	<u>(140,019)</u>
Capital Assets, Being Depreciated, Net	104,324	(2,677)	(581)	16,329	117,395
Capital Assets, Not Being Depreciated:					
Land	6,602	213	(155)	-	6,660
Construction in progress (CIP)	<u>19,132</u>	<u>5,807</u>	<u>-</u>	<u>(16,329)</u>	<u>8,610</u>
Total Capital Assets, Not Being Depreciated	<u>25,734</u>	<u>6,020</u>	<u>(155)</u>	<u>(16,329)</u>	<u>15,270</u>
Governmental Activities Capital Assets, Net	<u>\$ 130,058</u>	<u>\$ 3,343</u>	<u>\$ (736)</u>	<u>\$ -</u>	<u>\$ 132,665</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Convert <u>CIP</u>	Ending <u>Balance</u>
Business-Type Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 109,825	\$ -	\$ -	\$ 25,060	\$ 134,885
Machinery, equipment, and furnishings	9,438	242	-	-	9,680
Infrastructure	<u>74,062</u>	<u>149</u>	<u>(3)</u>	<u>-</u>	<u>74,208</u>
Total Capital Assets, Being Depreciated	193,325	391	(3)	25,060	218,773
Less Accumulated Depreciation For:					
Buildings and improvements	(65,117)	(2,912)	-	-	(68,029)
Machinery, equipment, and furnishings	(6,367)	(466)	-	-	(6,833)
Infrastructure	<u>(22,997)</u>	<u>(1,031)</u>	<u>3</u>	<u>-</u>	<u>(24,025)</u>
Total Accumulated Depreciation	<u>(94,481)</u>	<u>(4,409)</u>	<u>3</u>	<u>-</u>	<u>(98,887)</u>
Capital Assets, Being Depreciated, Net	98,844	(4,018)	-	25,060	119,886
Capital Assets, Not Being Depreciated:					
Land	2,220	-	-	-	2,220
Construction in progress (CIP)	<u>31,003</u>	<u>9,407</u>	<u>-</u>	<u>(25,060)</u>	<u>15,350</u>
Total Capital Assets, Not Being Depreciated	<u>33,223</u>	<u>9,407</u>	<u>-</u>	<u>(25,060)</u>	<u>17,570</u>
Business-Type Activities Capital Assets, Net	<u>\$ 132,067</u>	<u>\$ 5,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,456</u>

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

Governmental Activities	
General government	\$ 699
Public safety	744
Education	1,781
Public works	2,936
Human services	305
Culture and recreation	<u>411</u>
Total Governmental Activities	\$ <u>6,876</u>
Business-Type Activities	
Water	\$ 1,818
Sewer	<u>2,591</u>
Total Business-Type Activities	\$ <u>4,409</u>

11. Deferred Outflows of Resources

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

12. 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 several years.

13. Notes Payable

The City had the following notes outstanding at June 30, 2022:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2022</u>
Bond anticipation - water and sewer projects	0.60%	06/30/22	06/30/23	\$ 3,220,000
MA Clean Water Trust - interim note CWP 20-03	0.00%	10/08/20	n/a - interim	4,562,671
MA Clean Water Trust - interim note CWP 20-03-A	0.00%	10/08/20	n/a - interim	844,393
MA Clean Water Trust - interim note CWP 21-07	0.00%	03/01/22	n/a - interim	<u>509,911</u>
Total				\$ <u>9,136,975</u>

The following summarizes activity in notes payable during fiscal year 2022:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation - water and sewer projects	\$ 800,000	\$ 3,220,000	\$ (800,000)	\$ 3,220,000
MA Clean Water Trust interim notes	<u>1,906,071</u>	<u>4,010,904</u>	<u>-</u>	<u>5,916,975</u>
Total	<u>\$ 2,706,071</u>	<u>\$ 7,230,904</u>	<u>\$ (800,000)</u>	<u>\$ 9,136,975</u>

14. Long-Term Debt

General Obligation Bonds and Loans

The City issues general obligation bonds and loans 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 loans from direct borrowings have been issued for business-type activities. General obligation bonds and loans from direct borrowings outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2022
Governmental Activities			
<i>General Obligation Bonds</i>			
Multi-purpose (2013)	06/15/23	3.0 - 3.5	\$ 230,000
Multi-purpose (2019)	06/01/29	5.0	885,000
Multi-purpose (2020)	06/01/40	2.0 - 5.0	12,190,000
Multi-purpose (2021)	03/01/41	2.0 - 5.0	<u>7,200,000</u>
<i>Lease Financing Agreements</i>			
3,000 streetlight fixtures	11/14/24	2.58	<u>295,772</u>
Total Governmental Activities			<u>\$ 20,800,772</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2022</u>
Business-Type Activities			
<i>General Obligation Bonds</i>			
General obligation 2021 - sewer portion	03/01/26	5.0	\$ 155,000
General obligation 2016 - sewer portion	06/30/26	2.0 - 4.0	1,140,000
2016 refunding - sewer portion	06/30/28	2.0 - 4.0	1,985,000
General obligation 2021 - water portion	03/01/31	3.0 - 5.0	465,000
General obligation 2011 - sewer portion	06/15/31	3.0 - 4.0	900,000
General obligation 2013 - water portion	06/15/33	3.0 - 3.5	940,000
General obligation 2013 - sewer portion	06/15/33	3.0 - 3.5	1,045,000
General obligation 2019 - water portion	06/01/39	3.0 - 5.0	1,925,000
General obligation 2019 - sewer portion	06/01/39	3.0 - 5.0	885,000
General obligation 2020 - water portion	06/01/40	2.0 - 5.0	<u>2,350,000</u>
Total Direct Placements			11,790,000
<i>Loans From Direct Borrowings</i>			
Water treatment (MCWT 00-10A)	08/01/24	1.0 - 2.0	1,140,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0	130,000
Water treatment (MCWT 01-16)	07/15/25	-	1,870,113
Sewer (MCWT 03-12A)	07/15/25	2.0	1,456,930
Sewer (MCWT 03-12B)	07/15/26	2.0	470,326
Sewer (MCWT 08-03)	07/15/28	2.0	2,904,641
Sewer (MCWT 08-03A)	07/15/30	2.0	487,824
Sewer (MCWT 03-12C)	07/15/30	2.0	162,391
Sewer (MCWT 12-01)	07/15/35	2.0	3,890,221
Sewer (MCWT 12-02)	07/15/35	2.0	4,983,935
Sewer (MCWT 12-01A)	07/15/36	2.0	536,537
Sewer (MCWT 13-01)	07/15/36	2.0	9,837,053
Sewer (MCWT 13-01A)	01/15/37	2.0	957,892
Sewer (MCWT 16-05)	07/15/38	2.0	1,684,390
Sewer (MCWT 16-10)	07/15/38	2.0	7,899,172
Sewer (MCWT 16-10A)	07/15/39	2.0	10,297,237
Sewer (MCWT 16-10B)	01/15/41	2.0	<u>1,622,622</u>
Total Loans from Direct Borrowings			<u>50,331,284</u>
Total Business-Type Activities			<u>\$ 62,121,284</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022, were as follows:

Governmental	Bonds- Direct Placements			Lease Financing Agreements			
	Year	Principal	Interest	Total	Principal	Interest	Total
	2023	\$ 1,585,000	\$ 779,386	\$ 2,364,386	\$ 95,900	\$ 8,222	\$ 104,122
	2024	1,355,000	650,744	2,005,744	98,566	5,556	104,122
	2025	1,285,000	582,994	1,867,994	101,306	2,816	104,122
	2026	1,285,000	518,744	1,803,744	-	-	-
	2027	1,150,000	454,494	1,604,494	-	-	-
	2028 - 2032	5,365,000	1,496,270	6,861,270	-	-	-
	2033 - 2037	5,095,000	696,220	5,791,220	-	-	-
	2038 - 2041	<u>3,385,000</u>	<u>163,850</u>	<u>3,548,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total	<u>\$ 20,505,000</u>	<u>\$ 5,342,702</u>	<u>\$ 25,847,702</u>	<u>\$ 295,772</u>	<u>\$ 16,594</u>	<u>\$ 312,366</u>

Business-Type	Bonds - Direct Placements			Loans from Direct Borrowings			
	Year	Principal	Interest	Total	Principal	Interest	Total
	2023	\$ 1,515,000	\$ 461,148	\$ 1,976,148	\$ 4,088,553	\$ 961,925	\$ 5,050,478
	2024	1,505,000	396,450	1,901,450	4,171,944	877,209	5,049,153
	2025	1,500,000	331,998	1,831,998	4,251,795	794,805	5,046,600
	2026	1,485,000	267,900	1,752,900	3,888,140	727,381	4,615,521
	2027	1,165,000	211,748	1,376,748	3,110,657	662,381	3,773,038
2028 - 2032		3,325,000	507,548	3,832,548	14,608,274	2,415,351	17,023,625
2033 - 2037		985,000	124,967	1,109,967	12,491,336	986,339	13,477,675
2038 - 2041		310,000	13,950	323,950	3,720,585	107,343	3,827,928
Total		\$ 11,790,000	\$ 2,315,709	\$ 14,105,709	\$ 50,331,284	\$ 7,532,734	\$ 57,864,018

Changes in Long-Term Liabilities

During the year ended June 30, 2022, 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	\$ 22,107	\$ -	\$ (1,602)	\$ 20,505	\$ (1,585)	\$ 18,920
Unamortized bond premium	2,168	-	(128)	2,040	(128)	1,912
Lease financing agreements	389	-	(93)	296	(96)	200
Subtotal	24,664	-	(1,823)	22,841	(1,809)	21,032
Net pension liability	115,571	-	(17,364)	98,207	-	98,207
Net OPEB liability	185,188	-	(53,010)	132,178	-	132,178
Compensated absences liability	3,586	258	-	3,844	-	3,844
Total	<u>\$ 329,009</u>	<u>\$ 258</u>	<u>\$ (72,197)</u>	<u>\$ 257,070</u>	<u>\$ (1,809)</u>	<u>\$ 255,261</u>

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Business-Type Activities						
Bonds payable - direct placements	\$ 13,308	\$ -	\$ (1,518)	\$ 11,790	\$ (1,515)	\$ 10,275
Unamortized bond premium	556	-	(67)	489	(67)	422
Loans from direct borrowings	<u>54,338</u>	<u>-</u>	<u>(4,007)</u>	<u>50,331</u>	<u>(4,089)</u>	<u>46,242</u>
Subtotal	68,202	-	(5,592)	62,610	(5,671)	56,939
Net pension liability	12,471	-	(1,547)	10,924	-	10,924
Net OPEB liability	8,292	-	(2,374)	5,918	-	5,918
Compensated absences liability	<u>520</u>	<u>-</u>	<u>(171)</u>	<u>349</u>	<u>-</u>	<u>349</u>
Total	<u>\$ 89,485</u>	<u>\$ -</u>	<u>\$ (9,684)</u>	<u>\$ 79,801</u>	<u>\$ (5,671)</u>	<u>\$ 74,130</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans 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 costs relate to, primarily the General Fund and enterprise funds.

15. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the City that apply 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, will be recognized as expense in future years and 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 2022.

16. Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 1,118,462	\$ 147,130
Nonmajor Governmental Funds:		
Special revenue funds	15,810	386,654
Capital project funds	100,000	841,414
Expendable trust funds	<u>31,320</u>	<u>-</u>
Subtotal Nonmajor Governmental Funds	<u>147,130</u>	<u>1,228,068</u>
Total Governmental Funds	\$ <u>1,265,592</u>	\$ <u>1,375,198</u>
Fiduciary Funds		
Custodial funds	<u>109,606</u>	<u>-</u>
Total	\$ <u>1,375,198</u>	\$ <u>1,375,198</u>

17. Governmental Funds – Fund Balances

The City's fund balances at June 30, 2022, were comprised of the following:

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 2,370,615	\$ 2,370,615
Total Nonspendable	-	-	2,370,615	2,370,615
Restricted				
Bonded projects	-	-	100,000	100,000
Special revenue funds	-	60,223	15,596,700	15,656,923
Permanent funds	-	-	2,757,134	2,757,134
Total Restricted	-	60,223	18,453,834	18,514,057
Assigned				
Encumbrances:				
General government	948,639	-	-	948,639
Public safety	1,678,060	-	-	1,678,060
Education	2,705,024	-	-	2,705,024
Public works	4,493,718	-	-	4,493,718
Health and human services	108,057	-	-	108,057
Culture and recreation	734,286	-	-	734,286
Employee benefits	13,991	-	-	13,991
Miscellaneous	16,617	-	-	16,617
Reserved for expenditures:				
Operating budget	1,375,000	-	-	1,375,000
Total Assigned	12,073,392	-	-	12,073,392
Unassigned				
General Fund	11,025,625	-	-	11,025,625
General stabilization fund *	7,706,326	-	-	7,706,326
Deficit funds	-	-	(2,952,833)	(2,952,833)
Total Unassigned	18,731,951	-	(2,952,833)	15,779,118
Total Fund Balances	\$ 30,805,343	\$ 60,223	\$ 17,871,616	\$ 48,737,182

* Massachusetts General Laws Chapter 40, Section 5B allow 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.

18. Restricted Net Position

The City's restricted net position at June 30, 2022, was comprised of the following:

Governmental Activities	
<u>Purpose</u>	<u>Amount</u>
ARPA	\$ 60,223
CDBG	148,795
City grant	29,111
City gifts	459,367
City revolving	2,050,362
City other	1,594,919
School revolving	7,227,439
School grants	2,746,902
Airport	27,796
Nonexpendable	2,370,615
Expendable	<u>2,757,134</u>
Total	\$ <u>19,472,663</u>

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 2022, 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 was guaranteed to receive approximately \$400,000 per year from the private company. Effective with fiscal year 2011, the City extended the agreement for five 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, an amendment through June 30, 2021, and an amendment through June 30, 2023 with annual guaranteed revenue of \$530,000.

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 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 System provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of 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 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 the 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 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, 2022, was \$14,587,628, 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 pension, 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, 2022, the City reported a liability of approximately \$109 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the City's proportion was 94.91%, which was a decrease of (1.14)% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the City recognized pension expense of approximately \$8 million. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 4,185	\$ (232)
Changes of assumptions	741	(644)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(1,717)
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(19,273)</u>
Total	\$ <u>4,926</u>	\$ <u>(21,866)</u>

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

<u>Year ended June 30:</u>	
2023	\$ (3,562)
2024	(5,988)
2025	(4,387)
2026	<u>(3,003)</u>
Total	\$ <u>(16,940)</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	1/1/2022
Actuarial cost method	Entry Age Normal
Remaining amortization period	10 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	2.60%
Post-retirement cost-of-living adjustment	5% on first \$12,000 base in 2022; 3% on first \$14,000 thereafter

Ongoing actuarial valuation of the System 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-2021 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	24.00%	3.61%
International equities	12.70%	3.70%
Emerging equities	5.00%	5.95%
Hedged equity	7.80%	3.02%
Core bonds	15.10%	0.49%
Short-Term fixed income	0.00%	-0.19%
Treasury STRIPS	0.00%	-0.49%
TIPS/ILBs	0.00%	-0.29%
Value-added fixed income	6.50%	3.70%
Private equity	16.60%	7.31%
Real estate	8.70%	3.31%
Timberland	2.90%	3.90%
Portfolio completion (PCS)	0.60%	2.73%
Total	<u>99.90% *</u>	

* Total may not add due to rounding

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 System's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$138,873	\$109,131	\$83,945

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued 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 of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' 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

In addition, members who join MTRS on or after April 2, 2012, will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase 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 from 2012 – 2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (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, 2021, 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%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	4.00%	4.30%
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 plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' 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>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
\$29,687,706	\$22,706,876	\$16,882,184

Special Funding Situation

The Commonwealth of Massachusetts 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 Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts 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 2021 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$112 million based on a proportionate share of 0.49%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$8.6 million as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$9 million as both a revenue and expense on the Statement of 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 GASB 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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, 2022.

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 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, 2022, 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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (5.60)%. 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, 2021, 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	4.09%
Healthcare cost trend rates	5.50% for 2022, 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, 2022, are summarized in the following table.

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

Contributions

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

Discount Rate

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 4.09% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2022. 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.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows (in thousands):

Total OPEB liability	\$ 140,420
Plan fiduciary net position	<u>(2,324) *</u>
Net OPEB liability	<u>\$ 138,096</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.66%

* 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)
Balances, Beginning of Year	\$ 195,477	\$ 1,998	\$ 193,479
Changes for the Year:			
Service cost	8,052	-	8,052
Interest	4,162	-	4,162
Contributions - employer	-	5,586	(5,586)
Net investment (loss)	-	(124)	124
Differences between expected and actual experience	(6,996)	-	(6,996)
Changes of assumptions	(55,139)	-	(55,139)
Benefit payments	<u>(5,136)</u>	<u>(5,136)</u>	<u>-</u>
Net Changes	<u>(55,057)</u>	<u>326</u>	<u>(55,383)</u>
Balances, End of Year	\$ <u>140,420</u>	\$ <u>2,324</u>	\$ <u>138,096</u>

Changes in assumptions reflect a change in the discount rate from 2.18% in 2021 to 4.09% in 2022.

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 (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
\$166,962	\$138,096	\$109,230

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 <u>(4.50%)</u>	Current Healthcare Cost Trend Rates <u>(5.50%)</u>	1% Increase <u>(6.50%)</u>
\$112,583	\$138,096	\$168,911

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

For the year ended June 30, 2022, the City recognized an OPEB expense of approximately \$6.4 million. At June 30, 2022, 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	\$ 384	\$ (13,932)
Changes of assumptions	17,003	(48,246)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(129)</u>
Total	\$ <u>17,387</u>	\$ <u>(62,307)</u>

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

Year ended June 30:

2023	\$ (5,807)
2024	(5,800)
2025	(5,793)
2026	(6,425)
2027	(7,007)
Thereafter	<u>(14,088)</u>
Total	\$ <u>(44,920)</u>

23. Consolidation of Pension and OPEB Trust Fund

The Fitchburg Contributory Retirement System and the OPEB 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:

	Pension Trust Fund (December 31, 2021)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Assets			
Cash and short-term investments	\$ 1,279,951	\$ -	\$ 1,279,951
Investments in external investment pools	176,547,732	2,324,168	178,871,900
Accounts receivable	<u>357,220</u>	<u>-</u>	<u>357,220</u>
Total Assets	178,184,903	2,324,168	180,509,071
Liabilities			
Warrants and accounts payable	<u>4,851</u>	<u>-</u>	<u>4,851</u>
Net Position			
Restricted for pension	178,180,052	-	178,180,052
Restricted for OPEB	<u>-</u>	<u>2,324,168</u>	<u>2,324,168</u>
Total Net Position	\$ <u><u>178,180,052</u></u>	\$ <u><u>2,324,168</u></u>	\$ <u><u>180,504,220</u></u>

	Pension Trust Fund (December 31, 2021)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employer	\$ 15,343,073	\$ 5,586,106	\$ 20,929,179
Plan members	4,108,325	-	4,108,325
Other systems and Commonwealth of Massachusetts	373,111	-	373,111
Other	<u>27,908</u>	<u>-</u>	<u>27,908</u>
Total Contributions	19,852,417	5,586,106	25,438,523
Investment Income (Loss):			
Investment income (loss)	-	(123,465)	(123,465)
Increase in fair value of investments	29,701,459	-	29,701,459
Less: Management fees	<u>(796,448)</u>	<u>-</u>	<u>(796,448)</u>
Net Investment Income (Loss)	<u>28,905,011</u>	<u>(123,465)</u>	<u>28,781,546</u>
Total Additions	48,757,428	5,462,641	54,220,069
Deductions			
Benefit payments to plan members and beneficiaries	18,770,832	5,136,106	23,906,938
Refunds to plan members	446,763	-	446,763
Transfers to other systems	823,191	-	823,191
Administrative expenses	<u>270,324</u>	<u>-</u>	<u>270,324</u>
Total Deductions	<u>20,311,110</u>	<u>5,136,106</u>	<u>25,447,216</u>
Change in Net Position	28,446,318	326,535	28,772,853
Restricted Net Position			
Beginning of year	<u>149,733,734</u>	<u>1,997,633</u>	<u>151,731,367</u>
End of year	<u>\$ 178,180,052</u>	<u>\$ 2,324,168</u>	<u>\$ 180,504,220</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, 2022, were as follows:

Claims liability, beginning of year	\$ 1,382,946
Claims incurred/recognized in fiscal year 2022	22,070,776
Claims paid in fiscal year 2022	<u>(21,845,904)</u>
Claims liability, end of year	\$ <u>1,607,818</u>

25. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States of America (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 remains 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, 2022, the City has incurred approximately \$90.77 million of engineering and construction costs related to consent decree projects (2012 to present), \$71.36 million of which was financed through the Massachusetts Clean Water Trust (MCWT).

Encumbrances

At year-end, the City's General Fund had \$10,698,392 in encumbrances that will be honored in the next fiscal year.

26. Change in Accounting Principle

During fiscal year 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. This statement redefines a lease as a right to use another entity's asset over a definitive period of time.

27. Beginning Fund Balance Reclassification

The City's major governmental funds for fiscal year 2022, as defined by Governmental Accounting Boards Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Community Development Block Grant <u>Fund</u>	City Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ 289,230	\$ 821,240	\$ 18,695,889
Reclassification of major funds	<u>(289,230)</u>	<u>(821,240)</u>	<u>1,110,470</u>
As reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,806,359</u>

28. New Pronouncements

The Governmental Accounting Standards Board has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Agreements (APAs)*. The primary objective of this statement is to improve accounting and financial reporting of PPPs and APAs. PPP is an arrangement in which the City contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction. APA is an arrangement in which the City compensates an operator for services that may include designing, constructing, financing, maintaining, or operating and underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The Governmental Accounting Standards Board also issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement provides guidance on the accounting and financial reporting of SBITAs for the City as an end user. GASB 96 results in a right-to-use subscription intangible asset, which is primarily offset by a corresponding subscription liability for accrual funds, as well as government-wide financial statements, and requires new note disclosures.

These statements are effective for fiscal year 2023. Management has not evaluated the effect these statements will have on the financial statements.

CITY OF FITCHBURG, MASSACHUSETTS

Required Supplementary Information

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual - General Fund

For the Year Ended June 30, 2022

(Unaudited)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Negative
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>(Negative)</u>
Revenues				
Property taxes	\$ 59,308,235	\$ 59,308,235	\$ 60,323,916	\$ 1,015,681
Excises	3,934,794	3,934,794	4,950,047	1,015,253
Penalties, interest, and other taxes	906,500	906,500	1,396,567	490,067
Charges for services	6,277,774	6,277,774	6,678,798	401,024
Intergovernmental	72,837,395	72,837,395	74,634,647	1,797,252
Licenses and permits	900,000	900,000	1,470,221	570,221
Fines and forfeitures	100,000	100,000	131,550	31,550
Investment income	50,000	50,000	19,704	(30,296)
Miscellaneous	3,000	3,000	601,934	598,934
Total Revenues	144,317,698	144,317,698	150,207,384	5,889,686
Expenditures				
General government	5,711,465	6,629,973	6,193,562	436,411
Public safety	17,999,688	19,980,174	19,299,683	680,491
Education	67,974,057	68,574,057	68,327,154	246,903
Public works	4,133,079	7,695,540	7,306,290	389,250
Health and human services	4,425,578	4,472,557	4,288,660	183,897
Culture and recreation	1,835,278	1,869,104	1,551,387	317,717
Employee benefits	33,797,056	34,322,878	33,975,836	347,042
Miscellaneous	1,331,735	1,331,735	1,333,640	(1,905)
Debt service	2,394,085	2,394,085	2,361,585	32,500
Intergovernmental	7,313,205	7,313,205	7,307,761	5,444
Total Expenditures	146,915,226	154,583,308	151,945,558	2,637,750
Excess (Deficiency) of Revenues over Expenditures	(2,597,528)	(10,265,610)	(1,738,174)	8,527,436
Other Financing Sources (Uses)				
Transfers in	253,848	277,048	1,118,462	841,414
Transfers out	(131,320)	(481,320)	(497,130)	(15,810)
Use of free cash:				
Operating budget and capital items	1,775,000	8,969,882	-	(8,969,882)
Contribution to OPEB trust fund	-	450,000	-	(450,000)
Transfer to stabilization fund	-	350,000	-	(350,000)
Overlay surplus	700,000	700,000	-	(700,000)
Total Other Financing Sources (Uses)	2,597,528	10,265,610	621,332	(9,644,278)
Overall Budgetary (Deficiency)	\$ -	\$ -	\$ (1,116,842)	\$ (1,116,842)

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

**Notes to 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 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	\$ 157,904,193	\$ 155,619,109	\$ (971,332)
Remove the effect of adding the City's stabilization fund per GASB 54	248,559	-	350,000
Reverse beginning of year appropriation carry- forwards from expenditures	-	(6,426,575)	-
Add end of year appropriation carryforwards to expenditures	-	10,698,392	-
Reverse the effect of grant reimbursements for indirect costs	665,489	665,489	-
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(8,610,857)</u>	<u>(8,610,857)</u>	<u>-</u>
Budgetary Basis	\$ <u>150,207,384</u>	\$ <u>151,945,558</u>	\$ <u>(621,332)</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, 2022	December 31, 2021	94.91%	\$109,131	\$32,777	332.9%	60.78%
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, 2022	June 30, 2021	0.49%	-	\$111,826	\$111,826	\$38,196	-	62.03%
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, 2022	December 31, 2021	\$14,487	\$14,588	(\$101)	\$32,870	44.38%
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, 2022	June 30, 2021	\$8,611	\$8,611	-	\$38,196	22.54%
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%

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 Changes in the Net OPEB Liability
(Unaudited)
(Amounts expressed in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 8,052	\$ 7,076	\$ 6,654	\$ 5,936	\$ 5,828	\$ 5,434
Interest	4,162	4,875	4,826	4,836	4,747	4,868
Differences between expected and actual experience	(6,996)	(10,743)	(3)	(314)	4,697	-
Changes of assumptions	(55,139)	13,535	3,838	5,305	-	-
Benefit payments	<u>(5,136)</u>	<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	(55,057)	9,708	10,271	10,689	9,805	4,890
Total OPEB Liability - Beginning	<u>195,477</u>	<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)	140,420	195,477	185,769	175,498	164,809	155,004
Plan Fiduciary Net Position						
Contributions - employer	5,586	5,085	5,294	5,324	5,717	5,712
Net investment income	(124)	443	67	23	67	42
Benefit payments	<u>(5,136)</u>	<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	326	493	317	273	317	342
Plan Fiduciary Net Position - Beginning	<u>1,998</u>	<u>1,505</u>	<u>1,188</u>	<u>915</u>	<u>598</u>	<u>256</u>
Plan Fiduciary Net Position - Ending (b)	<u>2,324</u>	<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>138,096</u>	\$ <u>193,479</u>	\$ <u>184,264</u>	\$ <u>174,310</u>	\$ <u>163,894</u>	\$ <u>154,406</u>

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

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

See Independent Auditor's Report.

CITY OF FITCHBURG, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)
(Amounts expressed in thousands)

Schedule of Net OPEB Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 140,420	\$ 195,477	\$ 185,769	\$ 175,498	\$ 164,809	\$ 155,004
Plan fiduciary net position	<u>(2,324)</u>	<u>(1,998)</u>	<u>(1,505)</u>	<u>(1,188)</u>	<u>(915)</u>	<u>(598)</u>
Net OPEB Liability	<u>\$ 138,096</u>	<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	1.66%	1.02%	0.81%	0.68%	0.56%	0.39%
Covered employee payroll	\$ 85,845	\$ 78,602	\$ 78,906	\$ 75,400	\$ 72,824	\$ 72,824
Net OPEB liability as a percentage of covered employee payroll	160.87%	246.15%	233.52%	231.18%	225.05%	212.03%
Schedule of Contributions	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 20,216	\$ 19,174	\$ 18,222	\$ 16,932	\$ 10,576	\$ 10,303
Contributions in relation to the actuarially determined contribution	<u>(5,586)</u>	<u>(5,085)</u>	<u>(5,294)</u>	<u>(5,324)</u>	<u>(5,717)</u>	<u>(5,712)</u>
Contribution Deficiency (Excess)	<u>\$ 14,630</u>	<u>\$ 14,089</u>	<u>\$ 12,928</u>	<u>\$ 11,608</u>	<u>\$ 4,859</u>	<u>\$ 4,591</u>
Covered employee payroll	\$ 85,845	\$ 78,602	\$ 78,906	\$ 75,400	\$ 72,824	\$ 72,824
Contributions as a percentage of covered employee payroll	6.51%	6.47%	6.71%	7.06%	7.85%	7.84%
Schedule of Investment Returns	<u>2022</u>	<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	-5.60%	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.

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

See Independent Auditor's Report.