



CITY OF FITCHBURG, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF FITCHBURG, MASSACHUSETTS

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INDEPENDENT AUDITORS' 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, 2023 (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2022), 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fitchburg, Massachusetts, as of June 30, 2023, (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2022), 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 Standard*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Fitchburg Contributory Retirement System were not audited in accordance with *Government Auditing Standards*. 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.

Responsibilities of Management for the Financial Statements

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.

Auditors' 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 auditors' 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 29, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marcum LLP

Greenfield, MA
March 29, 2024

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023.

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).

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.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$(108,639,544), a change of \$10,863,637, and net position in business-type activities was \$73,591,381, a change of \$6,237,471.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$65,931,328, a change of \$17,194,146 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,780,787, a change of \$48,836 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

(Amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 122,348	\$ 102,474	\$ 29,456	\$ 24,705	\$ 151,804	\$ 127,179
Capital assets	139,595	132,665	140,448	137,456	280,043	270,121
Total Assets	<u>261,943</u>	<u>235,139</u>	<u>169,904</u>	<u>162,161</u>	<u>431,847</u>	<u>397,300</u>
Deferred Outflows of Resources	<u>32,153</u>	<u>21,075</u>	<u>2,268</u>	<u>1,238</u>	<u>34,421</u>	<u>22,313</u>
Liabilities						
Other liabilities	44,629	40,431	9,596	17,057	54,225	57,488
Long-term liabilities	295,345	255,261	85,443	74,129	380,788	329,390
Total Liabilities	<u>339,974</u>	<u>295,692</u>	<u>95,039</u>	<u>91,186</u>	<u>435,013</u>	<u>386,878</u>
Deferred Inflows of Resources	<u>62,761</u>	<u>80,025</u>	<u>3,542</u>	<u>4,859</u>	<u>66,303</u>	<u>84,884</u>
Net Position						
Net investment in capital assets	117,608	108,283	68,815	68,995	186,423	177,278
Restricted	22,186	19,473	--	--	22,186	19,473
Unrestricted	(248,433)	(247,259)	4,776	(1,641)	(243,657)	(248,900)
Total Net Position	<u>\$ (108,639)</u>	<u>\$ (119,503)</u>	<u>\$ 73,591</u>	<u>\$ 67,354</u>	<u>\$ (35,048)</u>	<u>\$ (52,149)</u>

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$(35,048,163), a change of \$17,101,108 in comparison to the prior year.

The largest portion of net position, \$186,422,356, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, 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, \$22,185,924, 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 \$(243,656,443), primarily resulting from unfunded pension and OPEB liabilities.

Change in Net Position

(Amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 15,657	\$ 15,991	\$ 22,123	\$ 21,363	\$ 37,780	\$ 37,354
Operating grants and contributions	106,937	97,752	--	--	106,937	97,752
Capital grants and contributions	6,970	2,917	1,376	424	8,346	3,341
General revenues:						
Property taxes	65,311	60,173	--	--	65,311	60,173
Excises	5,788	5,008	--	--	5,788	5,008
Penalties, interest, and other taxes	878	1,397	--	--	878	1,397
Grants and contributions not restricted to specific programs	12,764	11,791	--	--	12,764	11,791
Investment income (loss)	1,857	(560)	19	32	1,876	(528)
Miscellaneous	1,124	1,552	--	--	1,124	1,552
Total Revenues	<u>217,286</u>	<u>196,021</u>	<u>23,518</u>	<u>21,819</u>	<u>240,804</u>	<u>217,840</u>

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Change in Net Position (Continued)

(Amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Expenses						
General government	11,223	11,344	--	--	11,223	11,344
Public safety	28,659	27,681	--	--	28,659	27,681
Education	136,247	118,159	--	--	136,247	118,159
Public works	11,926	10,028	--	--	11,926	10,028
Health and human services	6,286	6,330	--	--	6,286	6,330
Culture and recreation	2,565	1,845	--	--	2,565	1,845
Miscellaneous	1,378	1,320	--	--	1,378	1,320
Interest on long-term debt	600	631	--	--	600	631
Intergovernmental	7,478	7,308	--	--	7,478	7,308
Water operations	--	--	7,221	5,821	7,221	5,821
Sewer operations	--	--	10,060	10,133	10,060	10,133
Total Expenses	<u>206,362</u>	<u>184,646</u>	<u>17,281</u>	<u>15,954</u>	<u>223,643</u>	<u>200,600</u>
Change in Net Position						
Before Transfers	10,924	11,375	6,237	5,865	17,161	17,240
Transfers In (Out)	(60)	(110)	--	--	(60)	(110)
Change in Net Position	<u>10,864</u>	<u>11,265</u>	<u>6,237</u>	<u>5,865</u>	<u>17,101</u>	<u>17,130</u>
Net Position - Beginning of Year	<u>(119,503)</u>	<u>(130,768)</u>	<u>67,354</u>	<u>61,489</u>	<u>(52,149)</u>	<u>(69,279)</u>
Net Position - End of Year	<u>\$ (108,639)</u>	<u>\$ (119,503)</u>	<u>\$ 73,591</u>	<u>\$ 67,354</u>	<u>\$ (35,048)</u>	<u>\$ (52,149)</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$10,863,637. Key elements of this change are as follows:

General Fund operations	\$ 544,862
Major fund - ARPA Fund revenues in excess of expenditures	941,852
Major Fund - Capital Project Fund revenues and other financing sources in excess of expenditures	16,584,907
Nonmajor Governmental Funds expenditures and other financing uses in excess of revenues and other financing sources	(877,475)
Internal service fund expenditures in excess of revenues	(4,376,577)
Capital assets purchases	14,273,846
Capital asset disposals, net	(61,700)
Bond proceeds	(16,000,000)
Depreciation expense in excess of principal debt service	(5,568,212)
Change in net pension liability, net of deferrals	(1,777,690)
Change in net OPEB liability, net of deferrals	3,733,323
Other	3,446,501
	<u>\$ 10,863,637</u>

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$6,237,471. Key elements of this change result from the following operations:

Water operations	\$ (25,367)
Sewer operations	<u>6,262,838</u>
	<u>\$ 6,237,471</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 \$18,780,787, while total fund balance was \$31,350,205. 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.

General Fund	June 30, 2023	June 30, 2022	Change	% of General Fund Expenditures*
General Fund	\$ 10,193,338	\$ 11,025,625	\$ (832,287)	6.4%
Stabilization fund	<u>8,587,449</u>	<u>7,706,326</u>	<u>881,123</u>	<u>5.4%</u>
Total Unassigned Fund Balance	<u>\$ 18,780,787</u>	<u>\$ 18,731,951</u>	<u>\$ 48,836</u>	11.8%
Total Fund Balance	<u>\$ 31,350,205</u>	<u>\$ 30,805,343</u>	<u>\$ 544,862</u>	19.8%

* 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 \$10,538,673.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The total fund balance of the General Fund changed by \$544,862 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 658,866
State and local revenues in excess of budget	3,437,832
Transfers in under budget	(24,825)
Budgetary appropriations unspent by departments	2,310,031
Use of free cash as a funding source for operating budget	(5,889,191)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(128,974)
Other sources - overlay surplus	(700,000)
Change in stabilization fund	881,123
	<u>\$ 544,862</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 \$941,852 from investment income earned. At June 30, 2023, the ARPA Fund reported \$28,416,214 of received, but unspent funding.

Capital Project Fund

The fund balance of the major capital project governmental fund changed by \$16,584,907, primarily from permanent financing of capital projects and transfers from the General Fund for capital projects funding, in excess of project expenses.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(877,475) 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 \$4,776,561, a change of \$6,417,806 in comparison to the prior year.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$5,726,994. Major reasons for these amendments include:

Increase in general government appropriations	\$ 997,406
Increase in public safety department appropriations	987,497
Increase in department of public works appropriations	959,985
Increase in health and human services appropriations	29,253
Increase in culture and recreation appropriations	71,795
Increase in employee benefits appropriations	61,058
Contribution to the OPEB Trust Fund	250,000
Transfer to capital project fund for Longsjo School project	1,400,000
Transfer to airport fund	120,000
Transfer to stabilization fund	<u>850,000</u>
	<u><u>\$ 5,726,994</u></u>

Of this increase, \$5,214,191 was funded by free cash and \$512,803 was funded by a transfer in from other funds.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$280,042,828 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

Depreciation expense - governmental activities	\$ (7,281,664)
Depreciation expense - business-type activities	(4,846,477)
Loss on disposition of assets - governmental activities	(61,700)
Loss on disposition of assets - business-type activities	(8,234)
Infrastructure	
Sidewalk improvements	119,004
Water mains and hydrants	266,143
Storm drains and lines	124,894
Building and improvements	
Education	82,000
Public works	237,439
Foreclosures	175,400
Departmental vehicles and equipment	
General government	30,113
Public safety	794,128
Education	1,458,695
Public works	816,242
Culture and recreation	123,715
Sewer	140,534
Water	70,812
Land	
Foreclosed properties	207,600
Construction in progress	
Crocker Elementary School	3,793,766
Fitchburg High School roof repairs	502,889
Library building project	1,668,281
Longsjo School window replacements	2,103,051
Main and Boulder conversion	448,527
Phone system upgrades	922,382
Other governmental projects	790,614
Clarendon Street sewer project	2,030,296
East Plant lab and control room upgrades	430,265
Falulah main replacement	258,524
Main Street CSO separation	723,576
Oak Hill Road tank replacement	2,865,285
SCADA replacement	778,520
Other projects - water	157,476

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$109,510,406, all of which was backed by the full faith and credit of the City.

During fiscal year 2023, the City maintained its AA- rating from Standards & Poor's (S&P) Global Ratings for the City's existing general obligation debt.

Additional information on long-term debt can be found in the Notes to Basic 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:

Ms. Jacquelyn Cronin
City Auditor
Fitchburg Municipal Offices
718 Main Street
Fitchburg, MA 01420

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 78,360,081	\$ 21,951,287	\$ 100,311,368
Investments	32,971,118	--	32,971,118
Receivables:			
Property taxes	1,957,181	--	1,957,181
Excises	1,874,068	--	1,874,068
User fees	--	5,410,489	5,410,489
Departmental and other	424,848	--	424,848
Intergovernmental	2,907,918	2,094,156	5,002,074
Other current assets	60,000	--	60,000
Total Current Assets	118,555,214	29,455,932	148,011,146
Noncurrent Assets			
Receivables:			
Tax liens	2,333,925	--	2,333,925
Loans	1,459,101	--	1,459,101
Capital assets:			
Nondepreciable capital assets	22,963,342	19,041,595	42,004,937
Other capital assets, net of accumulated depreciation	116,631,668	121,406,223	238,037,891
Total Noncurrent Assets	143,388,036	140,447,818	283,835,854
Total Assets	261,943,250	169,903,750	431,847,000
Deferred Outflows of Resources			
Related to pension	12,208,558	1,144,344	13,352,902
Related to OPEB	19,944,369	1,124,505	21,068,874
Total Deferred Outflows of Resources	32,152,927	2,268,849	34,421,776

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	8,129,059	1,303,716	9,432,775
Accrued payroll and withholdings	3,747,040	--	3,747,040
Accrued claims payable	1,694,405	--	1,694,405
Unearned revenue	28,416,214	--	28,416,214
Notes payable	--	1,686,099	1,686,099
Other current liabilities	259,017	--	259,017
Current portion of long-term liabilities:			
Bonds and loans payable	2,383,817	6,605,940	8,989,757
Total Current Liabilities	<u>44,629,552</u>	<u>9,595,755</u>	<u>54,225,307</u>
Noncurrent Liabilities			
Bonds and loans payable,			
net of current portion	34,647,740	65,872,909	100,520,649
Net pension liability	125,974,877	11,807,991	137,782,868
Net OPEB liability	130,989,292	7,385,445	138,374,737
Compensated absences liability	3,733,105	376,893	4,109,998
Total Noncurrent Liabilities	<u>295,345,014</u>	<u>85,443,238</u>	<u>380,788,252</u>
Total Liabilities	<u>339,974,566</u>	<u>95,038,993</u>	<u>435,013,559</u>
Deferred Inflows of Resources			
Related to pension	1,461,876	137,027	1,598,903
Related to OPEB	60,395,066	3,405,198	63,800,264
Other	904,213	--	904,213
Total Deferred Inflows of Resources	<u>62,761,155</u>	<u>3,542,225</u>	<u>66,303,380</u>
Net Position			
Net investment in capital assets	117,607,536	68,814,820	186,422,356
Restricted for:			
Grants and other statutory restrictions	16,966,078	--	16,966,078
Endowment funds:			
Nonexpendable	2,418,949	--	2,418,949
Expendable	2,800,897	--	2,800,897
Unrestricted	(248,433,004)	4,776,561	(243,656,443)
Total Net Position	<u>\$ (108,639,544)</u>	<u>\$ 73,591,381</u>	<u>\$ (35,048,163)</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, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business -	
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Type Activities	Total
Governmental Activities							
General government	\$ 11,223,250	\$ 3,271,282	\$ 4,128,137	\$ 1,150,138	\$ (2,673,693)	\$ --	\$ (2,673,693)
Public safety	28,658,609	4,040,137	1,696,978	--	(22,921,494)	--	(22,921,494)
Education	136,246,815	4,118,631	99,255,264	--	(32,872,920)	--	(32,872,920)
Public works	11,925,989	1,349,985	277,914	838,665	(9,459,425)	--	(9,459,425)
Health and human services	6,285,979	2,727,609	1,408,926	--	(2,149,444)	--	(2,149,444)
Culture and recreation	2,565,108	149,734	169,917	4,981,319	2,735,862	--	2,735,862
Miscellaneous	1,378,211	--	--	--	(1,378,211)	--	(1,378,211)
Interest on long-term debt	600,092	--	--	--	(600,092)	--	(600,092)
Intergovernmental	7,478,087	--	--	--	(7,478,087)	--	(7,478,087)
Total Governmental Activities	<u>206,362,140</u>	<u>15,657,378</u>	<u>106,937,136</u>	<u>6,970,122</u>	<u>(76,797,504)</u>	<u>--</u>	<u>(76,797,504)</u>
Business-Type Activities							
Water operations	7,220,777	6,768,657	--	425,442	--	(26,678)	(26,678)
Sewer operations	10,059,993	15,354,628	--	950,850	--	6,245,485	6,245,485
Total Business-Type Activities	<u>17,280,770</u>	<u>22,123,285</u>	<u>--</u>	<u>1,376,292</u>	<u>--</u>	<u>6,218,807</u>	<u>6,218,807</u>
	<u>\$ 223,642,910</u>	<u>\$ 37,780,663</u>	<u>\$ 106,937,136</u>	<u>\$ 8,346,414</u>	<u>(76,797,504)</u>	<u>6,218,807</u>	<u>(70,578,697)</u>
General Revenues and Transfers							
Property taxes					\$ 65,311,023	\$ --	\$ 65,311,023
Excises					5,788,291	--	5,788,291
Penalties, interest, and other taxes					877,962	--	877,962
Grants and contributions not restricted to specific programs					12,763,896	--	12,763,896
Investment income					1,856,619	18,664	1,875,283
Miscellaneous					1,123,866	--	1,123,866
Transfers					(60,516)	--	(60,516)
Total General Revenues and Transfers					<u>87,661,141</u>	<u>18,664</u>	<u>87,679,805</u>
Change in Net Position					10,863,637	6,237,471	17,101,108
Net Position, Beginning of Year					<u>(119,503,181)</u>	<u>67,353,910</u>	<u>(52,149,271)</u>
Net Position, End of Year					<u>\$ (108,639,544)</u>	<u>\$ 73,591,381</u>	<u>\$ (35,048,163)</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	ARPA Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 9,174,248	\$ 29,493,843	\$ 18,531,426	\$ 14,678,070	\$ 71,877,587
Investments	28,675,894	--	--	4,295,224	32,971,118
Receivables:					
Property taxes	1,957,181	--	--	--	1,957,181
Excises	1,874,068	--	--	--	1,874,068
Departmental and other	418,538	--	--	6,310	424,848
Intergovernmental	372,165	--	--	2,354,155	2,726,320
Tax title and demolition liens	2,333,925	--	--	--	2,333,925
Loans	--	--	--	1,459,101	1,459,101
Other assets	60,000	--	--	--	60,000
Total Assets	<u>\$ 44,866,019</u>	<u>\$ 29,493,843</u>	<u>\$ 18,531,426</u>	<u>\$ 22,792,860</u>	<u>\$ 115,684,148</u>
Liabilities					
Accounts payable	\$ 3,267,348	\$ 75,554	\$ 3,487,343	\$ 1,298,814	\$ 8,129,059
Accrued payroll and withholdings	3,436,843	--	--	310,197	3,747,040
Unearned revenue	--	28,416,214	--	--	28,416,214
Other liabilities	259,017	--	--	--	259,017
Total Liabilities	<u>6,963,208</u>	<u>28,491,768</u>	<u>3,487,343</u>	<u>1,609,011</u>	<u>40,551,330</u>
Deferred Inflows of Resources					
Unavailable revenues	6,552,606	--	--	2,648,884	9,201,490
Fund Balances					
Nonspendable	--	--	--	2,418,949	2,418,949
Restricted	--	1,002,075	15,044,083	21,435,605	37,481,763
Assigned	12,569,418	--	--	--	12,569,418
Unassigned	18,780,787	--	--	(5,319,589)	13,461,198
Total Fund Balances	<u>31,350,205</u>	<u>1,002,075</u>	<u>15,044,083</u>	<u>18,534,965</u>	<u>65,931,328</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 44,866,019</u>	<u>\$ 29,493,843</u>	<u>\$ 18,531,426</u>	<u>\$ 22,792,860</u>	<u>\$ 115,684,148</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, 2023

<i>Total Governmental Fund Balances</i>	\$ 65,931,328
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	139,595,010
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	12,208,558
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	19,944,369
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	9,201,490
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.	4,065,474
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Bonds and loans payable	(37,031,557)
Net pension liability	(125,974,877)
Net OPEB liability	(130,989,292)
Compensated absences liability	(3,733,105)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(1,461,876)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(60,395,066)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ (108,639,544)</u></u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	ARPA Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 62,555,522	\$ --	\$ --	\$ --	\$ 62,555,522
Excises	5,058,851	--	--	--	5,058,851
Penalties, interest, and other taxes	877,962	--	--	--	877,962
Charges for services	5,620,541	--	--	2,609,556	8,230,097
Intergovernmental	93,498,903	2,608,813	4,981,309	25,795,274	126,884,299
Licenses and permits	1,284,715	--	--	--	1,284,715
Fines and forfeitures	164,457	--	--	--	164,457
Investment income	733,810	941,852	415	149,690	1,825,767
Miscellaneous	594,116	--	--	316,593	910,709
Total Revenues	<u>170,388,877</u>	<u>3,550,665</u>	<u>4,981,724</u>	<u>28,871,113</u>	<u>207,792,379</u>
Expenditures					
Current:					
General government	5,922,847	653,427	--	2,537,137	9,113,411
Public safety	19,044,772	--	--	2,521,041	21,565,813
Education	87,507,728	--	5,896,817	20,283,969	113,688,514
Public works	6,616,138	345,811	--	1,832,540	8,794,489
Health and human services	4,107,399	3,044	--	1,361,056	5,471,499
Culture and recreation	1,550,890	1,606,531	--	327,581	3,485,002
Employee benefits	33,149,287	--	--	99,860	33,249,147
Miscellaneous	1,378,211	--	--	--	1,378,211
Debt service:					
Principal	1,585,000	--	--	--	1,585,000
Interest	728,544	--	--	--	728,544
Intergovernmental	7,478,087	--	--	--	7,478,087
Total Expenditures	<u>169,068,903</u>	<u>2,608,813</u>	<u>5,896,817</u>	<u>28,963,184</u>	<u>206,537,717</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,319,974</u>	<u>941,852</u>	<u>(915,093)</u>	<u>(92,071)</u>	<u>1,254,662</u>
Other Financing Sources (Uses)					
Proceeds of bonds	--	--	16,000,000	--	16,000,000
Transfers in	844,888	--	1,500,000	120,000	2,464,888
Transfers out	(1,620,000)	--	--	(905,404)	(2,525,404)
Total Other Financing Sources (Uses)	<u>(775,112)</u>	<u>--</u>	<u>17,500,000</u>	<u>(785,404)</u>	<u>15,939,484</u>
Change in Fund Balance	544,862	941,852	16,584,907	(877,475)	17,194,146
Fund Balance, at Beginning of Year, as reclassified	<u>30,805,343</u>	<u>60,223</u>	<u>(1,540,824)</u>	<u>19,412,440</u>	<u>48,737,182</u>
Fund Balance, at End of Year	<u>\$ 31,350,205</u>	<u>\$ 1,002,075</u>	<u>\$ 15,044,083</u>	<u>\$ 18,534,965</u>	<u>\$ 65,931,328</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 TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

Net Changes in Fund Balances - Total Governmental Funds \$ 17,194,146

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	14,273,846
Net effect from disposal of assets	(61,700)
Depreciation	(7,281,664)

The issuance of long-term debt 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:

Issuance of general obligations bonds	(16,000,000)
Repayments of general obligation bonds and loans	1,585,000
Bond premium amortization	128,452
Financing agreement payments	95,900

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. 3,239,258

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	(1,777,690)
Change in net OPEB liability and related deferred outflows and inflows	3,733,323
Change in compensated absences liability	111,343

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. (4,376,577)

Changes in Net Position of Governmental Activities \$ 10,863,637

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current Assets				
Cash and short-term investments	\$ 2,287,756	\$ 19,663,531	\$ 21,951,287	\$ 6,482,494
User fees receivable	1,613,186	3,797,303	5,410,489	--
Intergovernmental receivables	--	2,094,156	2,094,156	181,598
Total Current Assets	<u>3,900,942</u>	<u>25,554,990</u>	<u>29,455,932</u>	<u>6,664,092</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable capital assets	6,548,972	12,492,623	19,041,595	--
Other capital assets, net of accumulated depreciation	<u>42,262,755</u>	<u>79,143,468</u>	<u>121,406,223</u>	<u>--</u>
Total Noncurrent Assets	<u>48,811,727</u>	<u>91,636,091</u>	<u>140,447,818</u>	<u>--</u>
Total Assets	<u>52,712,669</u>	<u>117,191,081</u>	<u>169,903,750</u>	<u>6,664,092</u>
Deferred Outflows of Resources				
Related to pension	467,352	676,992	1,144,344	--
Related to OPEB	<u>534,854</u>	<u>589,651</u>	<u>1,124,505</u>	<u>--</u>
Total Deferred Outflows of Resources	<u>1,002,206</u>	<u>1,266,643</u>	<u>2,268,849</u>	<u>--</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED) PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Liabilities				
Current Liabilities				
Accounts payable	880,833	422,883	1,303,716	--
Accrued claims payable	--	--	--	1,694,405
Notes payable	762,059	924,040	1,686,099	--
Current portion of long-term liabilities:				
Bonds and loans payable	1,693,342	4,912,598	6,605,940	--
Total Current Liabilities	<u>3,336,234</u>	<u>6,259,521</u>	<u>9,595,755</u>	<u>1,694,405</u>
Noncurrent Liabilities				
Bonds and loans payable,				
net of current portion	9,270,125	56,602,784	65,872,909	--
Net pension liability	4,822,400	6,985,591	11,807,991	--
Net OPEB liability	3,512,776	3,872,669	7,385,445	--
Compensated absences liability	181,459	195,434	376,893	--
Total Noncurrent Liabilities	<u>17,786,760</u>	<u>67,656,478</u>	<u>85,443,238</u>	<u>--</u>
Total Liabilities	<u>21,122,994</u>	<u>73,915,999</u>	<u>95,038,993</u>	<u>1,694,405</u>
Deferred Inflows of Resources				
Related to pension	55,962	81,065	137,027	--
Related to OPEB	1,619,631	1,785,567	3,405,198	--
Other	--	--	--	904,213
Total Deferred Inflows of Resources	<u>1,675,593</u>	<u>1,866,632</u>	<u>3,542,225</u>	<u>904,213</u>
Net Position				
Net investment in capital assets	37,086,201	31,728,619	68,814,820	--
Unrestricted	(6,169,913)	10,946,474	4,776,561	4,065,474
Total Net Position	<u>\$ 30,916,288</u>	<u>\$ 42,675,093</u>	<u>\$ 73,591,381</u>	<u>\$ 4,065,474</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 6,768,657	\$ 15,354,628	\$ 22,123,285	\$ --
Employee contributions	--	--	--	5,502,722
Employer contributions	--	--	--	15,329,740
Miscellaneous	--	--	--	213,157
Total Operating Revenues	<u>6,768,657</u>	<u>15,354,628</u>	<u>22,123,285</u>	<u>21,045,619</u>
Operating Expenses				
Salary and benefits	1,974,187	1,941,540	3,915,727	--
Operating expenses	1,680,418	2,760,113	4,440,531	--
Administrative assessments	1,110,000	1,210,000	2,320,000	--
Employee benefits	--	--	--	25,453,048
Depreciation	1,990,309	2,856,168	4,846,477	--
Other	288,512	533,237	821,749	--
Total Operating Expenses	<u>7,043,426</u>	<u>9,301,058</u>	<u>16,344,484</u>	<u>25,453,048</u>
Operating Income (Loss)	<u>(274,769)</u>	<u>6,053,570</u>	<u>5,778,801</u>	<u>(4,407,429)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	425,442	950,850	1,376,292	--
Investment income	1,311	17,353	18,664	30,852
Interest expense	(177,351)	(758,935)	(936,286)	--
Total Nonoperating Revenues (Expenses), Net	<u>249,402</u>	<u>209,268</u>	<u>458,670</u>	<u>30,852</u>
Change in Net Position	<u>(25,367)</u>	<u>6,262,838</u>	<u>6,237,471</u>	<u>(4,376,577)</u>
Net Position, at Beginning of Year, as reclassified	<u>30,941,655</u>	<u>36,412,255</u>	<u>67,353,910</u>	<u>8,442,051</u>
Net Position, at End of Year	<u>\$ 30,916,288</u>	<u>\$ 42,675,093</u>	<u>\$ 73,591,381</u>	<u>\$ 4,065,474</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 6,536,544	\$ 14,850,766	\$ 21,387,310	\$ --
Receipts from employees and employer	--	--	--	21,546,487
Payments to employees	(2,742,079)	(3,461,614)	(6,203,693)	--
Payments to vendors	(1,577,246)	(4,150,991)	(5,728,237)	--
Payments of employee benefits and expenses	--	--	--	(25,366,461)
Net Cash Provided by (Used for)				
Operating Activities	<u>2,217,219</u>	<u>7,238,161</u>	<u>9,455,380</u>	<u>(3,819,974)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets, net of disposals	(4,388,527)	(3,449,564)	(7,838,091)	--
Intergovernmental revenue	425,442	950,850	1,376,292	--
Proceeds of bonds	4,500,000	4,285,984	8,785,984	--
Proceeds of notes	762,059	1,581,317	2,343,376	--
Principal payments on bonds and loans	(1,307,441)	(6,457,681)	(7,765,122)	--
Principal payments on notes	(2,200,000)	(840,000)	(3,040,000)	--
Interest paid	(177,351)	(1,237,905)	(1,415,256)	--
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,385,818)</u>	<u>(5,166,999)</u>	<u>(7,552,817)</u>	<u>--</u>
Cash Flows from Investing Activities				
Investment income	<u>1,311</u>	<u>17,353</u>	<u>18,664</u>	<u>30,852</u>
Net Cash Provided by Investing Activities	<u>1,311</u>	<u>17,353</u>	<u>18,664</u>	<u>30,852</u>
Net Change in Cash and Short-Term Investments	(167,288)	2,088,515	1,921,227	(3,789,122)
Cash and Short-Term Investments, Beginning of Year	<u>2,455,044</u>	<u>17,575,016</u>	<u>20,030,060</u>	<u>10,271,616</u>
Cash and Short-Term Investments, End of Year	<u>(167,288)</u>	<u>2,088,515</u>	<u>20,030,060</u>	<u>(3,789,122)</u>
	<u>\$ 2,287,756</u>	<u>\$ 19,663,531</u>	<u>\$ 21,951,287</u>	<u>\$ 6,482,494</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF CASH FLOWS (CONTINUED) PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Reconciliation of Operating Income				
(Loss) to Net Cash Provided by				
(Used for) Operating Activities				
Operating income (loss)	\$ (274,769)	\$ 6,053,570	\$ 5,778,801	\$ (4,407,429)
Adjustments to reconcile operating income				
(loss) to net cash provided by (used for)				
operating activities:				
Depreciation	1,990,309	2,856,168	4,846,477	--
Changes in assets and liabilities and				
deferred outflows/inflows:				
User fees receivable / other receivables	(232,113)	(503,862)	(735,975)	307,369
Deferred outflows - related to pension	(262,913)	(388,315)	(651,228)	--
Deferred outflows - related to OPEB	(205,405)	(173,972)	(379,377)	--
Accounts payable	391,684	(857,641)	(465,957)	86,587
Accrued claims payable	--	--	--	193,499
Net pension liability	293,481	590,542	884,023	--
Net OPEB liability	896,120	571,133	1,467,253	--
Compensated absences liability	33,266	(5,147)	28,119	--
Deferred inflows - related to pension	(851,468)	(1,200,269)	(2,051,737)	--
Deferred inflows - related to OPEB	439,027	295,954	734,981	--
Net Cash Provided by (Used for)				
Operating Activities	<u>\$ 2,217,219</u>	<u>\$ 7,238,161</u>	<u>\$ 9,455,380</u>	<u>\$ (3,819,974)</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2023

	Pension and OPEB Trust Fund	Custodial Funds
Assets		
Cash and short-term investments	\$ 270,079	\$ 808,526
Investments in external investment pools	159,992,100	--
Accounts receivable	356,331	--
Total Assets	<u>160,618,510</u>	<u>808,526</u>
Liabilities		
Accounts payable	269,135	31,056
Other liabilities	--	620,622
Total Liabilities	<u>269,135</u>	<u>651,678</u>
Net Position		
Restricted for pension	157,636,487	--
Restricted for OPEB	2,712,888	--
Restricted for individuals, organizations, and other governments	--	156,848
Total Net Position	<u>\$ 160,349,375</u>	<u>\$ 156,848</u>

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Pension and OPEB Trust Fund	Custodial Funds
Additions		
Contributions:		
Employer	\$ 22,196,066	\$ --
Plan members	4,265,289	--
Other systems and Commonwealth of Massachusetts	432,200	--
Other	33,277	--
Fees collected for State of Massachusetts	--	37,355
Fees collected for other entities and individuals	--	257,217
Fees collected for students	--	8,249
Total Contributions	<u>26,926,832</u>	<u>302,821</u>
Investment (Loss):		
Investment income	138,720	--
Decrease in fair value of investments	(19,386,477)	--
Less: Management fees	<u>(812,982)</u>	<u>--</u>
Net Investment (Loss)	<u>(20,060,739)</u>	<u>--</u>
Total Additions	<u>6,866,093</u>	<u>302,821</u>
Deductions		
Benefit payments to plan members and beneficiaries	25,619,142	--
Refunds to plan members	421,098	--
Transfers to other systems	694,365	--
Administrative expenses	286,333	--
Payments of fees to State of Massachusetts	--	36,450
Payments of fees to other entities and individuals	--	296,937
Payment on behalf of students	<u>--</u>	<u>113,005</u>
Total Deductions	<u>27,020,938</u>	<u>446,392</u>
Net (Decrease)	<u>(20,154,845)</u>	<u>(143,571)</u>
Transfers In	<u>--</u>	<u>60,516</u>
Change in Net Position	<u>(20,154,845)</u>	<u>(83,055)</u>
Restricted Net Position		
Beginning of Year	<u>180,504,220</u>	<u>239,903</u>
End of Year	<u><u>\$ 160,349,375</u></u>	<u><u>\$ 156,848</u></u>

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 2023, 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 have also 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's pension trust fund 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 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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 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 *Capital Project Fund* accounts for financial resources used for the acquisition or construction of major capital facilities and infrastructure projects.

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 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

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, fees collected on behalf of other entities and individuals, and fees collected for students.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

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."

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

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 grants and 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 2023.
- *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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

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.

NOTE 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

BUDGETARY INFORMATION (CONTINUED)

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, 2023. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental revenues and transfers from other funds.

NOTE 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, and 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 GASB 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (CONTINUED)

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, 2023, none of the City's bank balance of \$103,282,709 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$45,679 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, 2023 (in thousands):

Certificates of deposit	\$ 20,268
Corporate bonds	5,398
Corporate equities	902
Equity mutual funds	543
Federal agency securities	1,060
U.S. Treasury notes	4,800
	<u>\$ 32,971</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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (CONTINUED)

INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of June 30, 2023, \$1,967,208 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):

Investment Type	Amount	Held by Counterparty
Corporate bonds	\$ 5,398	\$ 597
Corporate equities	902	902
Equity mutual funds	543	468
Federal agency securities	1,060	--
U.S. Treasury notes	4,800	--
	<u>\$ 12,703</u>	<u>\$ 1,967</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 (NRSRO). 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, 2023, 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):

Investment Type	Amount	Rating as of Year End			
		AAA	A+/A/A-	BBB+	BBB
Corporate bonds	\$ 5,398	\$ 393	\$ 3,296	\$ 785	\$ 924
Federal agency securities	<u>1,060</u>	<u>1,060</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 6,458</u>	<u>\$ 1,453</u>	<u>\$ 3,296</u>	<u>\$ 785</u>	<u>\$ 924</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (CONTINUED)

INVESTMENTS (CONTINUED)

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.

The City had a certificate of deposit at Unibank at June 30, 2023 with a balance of \$20,124,825. This certificate of deposit represented 61.04% of the City's 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, 2023 (in thousands):

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
Corporate bonds	\$ 5,398	\$ 869	\$ 4,031	\$ 498
Federal agency securities	1,060	--	938	122
U.S. Treasury notes	<u>4,800</u>	<u>696</u>	<u>3,447</u>	<u>657</u>
	<u>\$ 11,258</u>	<u>\$ 1,565</u>	<u>\$ 8,416</u>	<u>\$ 1,277</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (CONTINUED)

INVESTMENTS (CONTINUED)

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, 2023, 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 GASB 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (CONTINUED)

INVESTMENTS (CONTINUED)

Fair Value (Continued)

The City had the following fair value measurements as of June 30, 2023 (in thousands):

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Corporate bonds	\$ 5,398	\$ --	\$ 5,398	\$ --
Corporate equities	902	902	--	--
Equity mutual funds	543	543	--	--
Federal agency securities	1,060	--	1,060	--
U.S. Treasury notes	<u>4,800</u>	<u>--</u>	<u>4,800</u>	<u>--</u>
	<u>\$ 12,703</u>	<u>\$ 1,445</u>	<u>\$ 11,258</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.

NOTE 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, 2023 of \$2,645,029 were invested in an external investment pool – State Retirees Benefits Trust Fund (SRBT).

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS - OPEB TRUST FUND (CONTINUED)

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 had the following additional disclosures (in thousands) at June 30, 2023:

Investment Type	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool - SRBT	<u>\$ 2,645</u>	<u>\$ --</u>	Monthly	30 days

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - INVESTMENTS - PENSION TRUST FUND OF THE SYSTEM

All of the Fitchburg Contributory Retirement System's (the System) investments at December 31, 2022 totaling \$157,347,071 were in an external State investment pool – Pension Reserves Investment Trust (the PRIT Fund).*

* *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.

As of December 31, 2022, all of the System's investments of \$157,347,071 were exempt from custodial risk disclosure.

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 the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth 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 the PRIT Fund.

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - INVESTMENTS - PENSION TRUST FUND OF THE SYSTEM (CONTINUED)

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, 2022, 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 GASB Statement No. 72, *Fair Value Measurement and Application*.

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - INVESTMENTS - PENSION TRUST FUND OF THE SYSTEM (CONTINUED)

FAIR VALUE (CONTINUED)

The System's pension trust fund had the following investments measured at NAV at December 31, 2022 (in thousands):

Investment Type	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool - PRIT Fund	\$ 157,347	\$ --	Monthly	30 days

NOTE 6 - PROPERTY TAXES AND EXCISES RECEIVABLE

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 2023 tax levy reflected an excess capacity of \$17,195.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - PROPERTY TAXES AND EXCISES RECEIVABLES (CONTINUED)

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 excises receivable at June 30, 2023, consisted of the following:

Type of Receivable	Amount	Current Portion	Long-Term Portion
Property taxes:			
Real estate taxes	\$ 1,691,717	\$ 1,691,717	\$ --
Personal property taxes	265,464	265,464	--
Tax liens	1,610,126	--	1,610,126
Demo tax title	689,701	--	689,701
Demo liens	34,098	--	34,098
	<u>\$ 4,291,106</u>	<u>\$ 1,957,181</u>	<u>\$ 2,333,925</u>
Motor vehicle excise	<u>\$ 1,874,068</u>	<u>\$ 1,874,068</u>	<u>\$ --</u>

NOTE 7 - USER FEES RECEIVABLE

User fees at June 30, 2023, consisted of the following:

Type of Receivable	Amount
Water	1,613,186
Sewer	<u>3,797,303</u>
	<u>\$ 5,410,489</u>

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2023.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 (CDBG) and HOME Grant programs.

Loan balances at June 30, 2023, consisted of the following:

Loan Type	Loan Balances
CDBG - consumer loans	\$ 353,809
CDBG - mortgage/financing loans	27,862
HOME - mortgage/financing loans	<u>1,077,430</u>
	<u>\$ 1,459,101</u>

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities					
Capital Assets, Being Depreciated:					
Land improvements	\$ 30,172	\$ --	\$ --	\$ --	\$ 30,172
Buildings and improvements	114,528	495	--	2,682	117,705
Machinery, equipment, and furnishings	29,004	3,223	(114)	--	32,113
Infrastructure	<u>83,710</u>	<u>119</u>	<u>(238)</u>	<u>--</u>	<u>83,591</u>
Total Capital Assets, Being Depreciated	<u>257,414</u>	<u>3,837</u>	<u>(352)</u>	<u>2,682</u>	<u>263,581</u>
Less Accumulated Depreciation For:					
Land improvements	(7,887)	(1,170)	--	--	(9,057)
Buildings and improvements	(56,626)	(3,235)	--	--	(59,861)
Machinery, equipment, and furnishings	(24,134)	(1,441)	114	--	(25,461)
Infrastructure	<u>(51,372)</u>	<u>(1,436)</u>	<u>238</u>	<u>--</u>	<u>(52,570)</u>
Total Accumulated Depreciation	<u>(140,019)</u>	<u>(7,282)</u>	<u>352</u>	<u>--</u>	<u>(146,949)</u>
Capital Assets, Being Depreciated, Net	<u>117,395</u>	<u>(3,445)</u>	<u>--</u>	<u>2,682</u>	<u>116,632</u>
Capital Assets, Not Being Depreciated:					
Land	6,660	207	(62)	--	6,805
Construction in progress (CIP)	<u>8,610</u>	<u>10,230</u>	<u>--</u>	<u>(2,682)</u>	<u>16,158</u>
Total Capital Assets, Not Being Depreciated	<u>15,270</u>	<u>10,437</u>	<u>(62)</u>	<u>(2,682)</u>	<u>22,963</u>
Governmental Activities Capital Assets, Net	<u>\$ 132,665</u>	<u>\$ 6,992</u>	<u>\$ (62)</u>	<u>\$ --</u>	<u>\$ 139,595</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities					
Capital Assets, Being Depreciated:					
Buildings and improvements	\$ 134,885	\$ --	\$ --	\$ 3,832	\$ 138,717
Machinery, equipment, and furnishings	9,680	212	--	--	9,892
Infrastructure	<u>74,208</u>	<u>391</u>	<u>(15)</u>	<u>1,940</u>	<u>76,524</u>
Total Capital Assets, Being Depreciated	<u>218,773</u>	<u>603</u>	<u>(15)</u>	<u>5,772</u>	<u>225,133</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(68,029)	(3,311)	--	--	(71,340)
Machinery, equipment, and furnishings	(6,833)	(485)	--	--	(7,318)
Infrastructure	<u>(24,025)</u>	<u>(1,051)</u>	<u>7</u>	<u>--</u>	<u>(25,069)</u>
Total Accumulated Depreciation	<u>(98,887)</u>	<u>(4,847)</u>	<u>7</u>	<u>--</u>	<u>(103,727)</u>
Capital Assets, Being Depreciated, Net	<u>119,886</u>	<u>(4,244)</u>	<u>(8)</u>	<u>5,772</u>	<u>121,406</u>
Capital Assets, Not Being Depreciated:					
Land	2,220	--	--	--	2,220
Construction in progress (CIP)	<u>15,350</u>	<u>7,244</u>	<u>--</u>	<u>(5,772)</u>	<u>16,822</u>
Total Capital Assets, Not Being Depreciated	<u>17,570</u>	<u>7,244</u>	<u>--</u>	<u>(5,772)</u>	<u>19,042</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 137,456</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ (8)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 140,448</u></u>

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

Governmental Activities

General government	\$ 704
Public safety	690
Education	1,960
Public works	3,397
Human services	106
Culture and recreation	<u>425</u>
	<u><u>\$ 7,282</u></u>

Business-Type Activities

Water	\$ 1,991
Sewer	<u>2,856</u>
	<u><u>\$ 4,847</u></u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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.

NOTE 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.

NOTE 13 - NOTES PAYABLE

The City had the following notes outstanding at June 30, 2023:

Purpose	Interest Rate(s) %	Date of Issue	Date of Maturity	Balance at June 30, 2023
MA Clean Water Trust - interim note CWP 21-07	0.00%	03/01/22	n/a - interim	\$ 924,040
MA Clean Water Trust - interim note DWP 22-40	0.00%	12/22/22	n/a - interim	762,059
				<u>\$ 1,686,099</u>

The following summarizes activity in notes payable during fiscal year 2023:

Purpose	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation - water and sewer projects	\$ 3,220,000	\$ --	\$ (3,220,000)	\$ --
MA Clean Water Trust interim notes	5,916,975	2,343,376	(6,574,252)	1,686,099
	<u>\$ 9,136,975</u>	<u>\$ 2,343,376</u>	<u>\$ (9,794,252)</u>	<u>\$ 1,686,099</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND LOANS

The City issues general obligation bonds and loans from direct borrowings through the Massachusetts Clean Water Trust (MCWT) 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 were as follows at June 30, 2023:

Purpose	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2023
Governmental Activities			
<i>General Obligation Bonds</i>			
Multi-purpose (2019)	06/01/29	5.0%	\$ 755,000
Multi-purpose (2020)	06/01/40	2.0% - 5.0%	11,510,000
Multi-purpose (2021)	03/01/41	2.0% - 5.0%	6,655,000
Multi-purpose (2023)	05/01/43	4.0% - 5.0%	<u>14,544,000</u>
<i>Financing Agreements</i>			
Streetlight fixtures	11/14/24	2.58%	<u>199,872</u>
			<u><u>\$ 33,663,872</u></u>
Business-Type Activities			
<i>General Obligation Bonds</i>			
General obligation 2021 - sewer portion	03/01/26	5.0%	\$ 115,000
General obligation 2016 - sewer portion	06/30/26	2.0% - 4.0%	855,000
2016 refunding - sewer portion	06/30/28	2.0% - 4.0%	1,645,000
General obligation 2021 - sewer portion	03/01/31	3.0% - 5.0%	1,210,000
General obligation 2011 - sewer portion	06/15/31	3.0% - 4.0%	800,000
General obligation 2013 - water portion	06/15/33	3.0% - 3.5%	850,000
General obligation 2013 - sewer portion	06/15/33	3.0% - 3.5%	950,000
General obligation 2019 - water portion	06/01/39	3.0% - 5.0%	1,810,000
General obligation 2019 - sewer portion	06/01/39	3.0% - 5.0%	830,000
General obligation 2020 - water portion	06/01/40	2.0% - 5.0%	1,210,000
General obligation 2023 - water portion	05/01/43	4.0% - 5.0%	4,051,000
General obligation 2023 - sewer portion	05/01/43	4.0% - 5.0%	<u>2,935,000</u>
			<u>17,261,000</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

Purpose	Serial Maturities Through	Interest Rate(s) %	Outstanding as of June 30, 2023
Business-Type Activities			
<i>Loans From Direct Borrowings</i>			
Water treatment (MCWT 00-10A)	08/01/24	1.0% - 2.0%	\$ 770,000
Sewer inflow (MCWT 03-12)	08/01/24	2.0%	90,000
Water treatment (MCWT 01-16)	07/15/25	0.0%	1,402,585
Sewer (MCWT 03-12A)	07/15/25	2.0%	1,103,551
Sewer (MCWT 03-12B)	07/15/26	2.0%	379,985
Sewer (MCWT 08-03)	07/15/28	2.0%	2,514,170
Sewer (MCWT 08-03A)	07/15/30	2.0%	437,794
Sewer (MCWT 03-12C)	07/15/30	2.0%	145,757
Sewer (MCWT 12-01)	07/15/35	2.0%	3,628,041
Sewer (MCWT 12-02)	07/15/35	2.0%	4,648,044
Sewer (MCWT 12-01A)	07/15/36	2.0%	503,336
Sewer (MCWT 13-01)	07/15/36	2.0%	9,228,341
Sewer (MCWT 13-01A)	01/15/37	2.0%	903,191
Sewer (MCWT 16-05)	07/15/38	2.0%	1,601,427
Sewer (MCWT 16-10)	07/15/38	2.0%	7,510,105
Sewer (MCWT 16-10A)	07/15/39	2.0%	9,823,672
Sewer (MCWT 16-10B)	01/15/41	2.0%	1,552,732
Sewer (MCWT 20-03)	01/15/43	2.0%	6,756,066
Sewer (MCWT 20-03A)	01/15/43	2.0%	1,054,170
			<u>54,052,967</u>
			<u><u>\$ 71,313,967</u></u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

FUTURE DEBT SERVICE

The annual payments to retire all long-term debt outstanding as of June 30, 2023, were as follows:

Governmental Activities	Bonds-Direct Placements			Financing Agreements		
	Principal	Interest	Total	Principal	Interest	Total
Year						
2024	\$ 2,084,000	\$ 1,336,035	\$ 3,420,035	\$ 98,566	\$ 5,556	\$ 104,122
2025	2,015,000	1,237,594	3,252,594	101,306	2,816	104,122
2026	2,015,000	1,136,844	3,151,844	--	--	--
2027	1,880,000	1,036,094	2,916,094	--	--	--
2028	1,880,000	945,544	2,825,544	--	--	--
2029 - 2033	8,885,000	3,457,170	12,342,170	--	--	--
2034 - 2038	8,720,000	1,854,664	10,574,664	--	--	--
Thereafter	5,985,000	522,262	6,507,262	--	--	--
	<u>\$ 33,464,000</u>	<u>\$ 11,526,207</u>	<u>\$ 44,990,207</u>	<u>\$ 199,872</u>	<u>\$ 8,372</u>	<u>\$ 208,244</u>

Business-Type Activities	Bonds-Direct Placements			Loans from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
Year						
2024	\$ 1,991,000	\$ 732,080	\$ 2,723,080	\$ 4,487,876	\$ 1,046,865	\$ 5,534,741
2025	1,985,000	646,148	2,631,148	4,574,593	944,691	5,519,284
2026	1,970,000	557,800	2,527,800	4,217,954	870,811	5,088,765
2027	1,650,000	477,398	2,127,398	3,447,638	799,215	4,246,853
2028	1,635,000	408,398	2,043,398	3,421,801	730,915	4,152,716
2029 - 2033	4,885,000	1,226,067	6,111,067	16,232,174	2,671,180	18,903,354
2034 - 2038	1,905,000	477,250	2,382,250	13,074,570	1,087,449	14,162,019
Thereafter	1,240,000	134,250	1,374,250	4,596,361	184,613	4,780,974
	<u>\$ 17,261,000</u>	<u>\$ 4,659,391</u>	<u>\$ 21,920,391</u>	<u>\$ 54,052,967</u>	<u>\$ 8,335,739</u>	<u>\$ 62,388,706</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2023, 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	\$ 20,505	\$ 14,544	\$ (1,585)	\$ 33,464	\$ (2,084)	\$ 31,380
Unamortized bond premium	2,040	1,456	(128)	3,368	(201)	3,167
Financing agreements	296	--	(96)	200	(99)	101
Subtotal	22,841	16,000	(1,809)	37,032	(2,384)	34,648
Net pension liability	98,207	27,768	--	125,975	--	125,975
Net OPEB liability	132,178	--	(1,189)	130,989	--	130,989
Compensated absences liability	3,844	--	(111)	3,733	--	3,733
	<u>\$ 257,070</u>	<u>\$ 43,768</u>	<u>\$ (3,109)</u>	<u>\$ 297,729</u>	<u>\$ (2,384)</u>	<u>\$ 295,345</u>
Business-Type Activities						
Bonds payable - direct placements	\$ 11,790	\$ 6,986	\$ (1,515)	\$ 17,261	\$ (1,991)	\$ 15,270
Unamortized bond premium	489	744	(67)	1,166	(127)	1,039
Loans from direct borrowings	50,331	7,810	(4,089)	54,052	(4,488)	49,564
Subtotal	62,610	15,540	(5,671)	72,479	(6,606)	65,873
Net pension liability	10,924	884	--	11,808	--	11,808
Net OPEB liability	5,918	1,467	--	7,385	--	7,385
Compensated absences liability	349	28	--	377	--	377
	<u>\$ 79,801</u>	<u>\$ 17,919</u>	<u>\$ (5,671)</u>	<u>\$ 92,049</u>	<u>\$ (6,606)</u>	<u>\$ 85,443</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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 from the lump sum pay in June 2023, to be applied to invoices during the months of July and August 2023.

NOTE 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. Interfund transfers for the year ended June 30, 2023 were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 844,888	\$ (1,620,000)
Capital Project Fund	1,500,000	--
Nonmajor Governmental Funds:		
Special revenue funds	<u>120,000</u>	<u>(905,404)</u>
	<u>2,464,888</u>	<u>(2,525,404)</u>
Fiduciary Funds		
Custodial funds	<u>60,516</u>	<u>--</u>
	<u>\$ 2,525,404</u>	<u>\$ (2,525,404)</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - GOVERNMENTAL FUNDS – FUND BALANCES

The City's fund balances at June 30, 2023, were comprised of the following:

	General Fund	ARPA Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ --	\$ --	\$ --	\$ 2,418,949	\$ 2,418,949
Total Nonspendable	--	--	--	2,418,949	2,418,949
Restricted					
Bonded projects	--	--	15,044,083	--	15,044,083
Special revenue funds	--	1,002,075	--	18,634,708	19,636,783
Permanent funds	--	--	--	2,800,897	2,800,897
Total Restricted	--	1,002,075	15,044,083	21,435,605	37,481,763
Assigned					
Encumbrances:					
General government	1,145,178	--	--	--	1,145,178
Public safety	1,661,757	--	--	--	1,661,757
Education	2,303,018	--	--	--	2,303,018
Public works	4,165,943	--	--	--	4,165,943
Health and human services	231,152	--	--	--	231,152
Culture and recreation	1,026,621	--	--	--	1,026,621
Miscellaneous	35,749	--	--	--	35,749
Reserved for expenditures:					
Operating budget	2,000,000	--	--	--	2,000,000
Total Assigned	12,569,418	--	--	--	12,569,418
Unassigned					
General Fund	10,193,338	--	--	--	10,193,338
General stabilization fund *	8,587,449	--	--	--	8,587,449
Deficit funds	--	--	--	(5,319,589)	(5,319,589)
Total Unassigned	18,780,787	--	--	(5,319,589)	13,461,198
Total Fund Balances	\$ 31,350,205	\$ 1,002,075	\$ 15,044,083	\$ 18,534,965	\$ 65,931,328

* 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - RESTRICTED NET POSITION

The City's restricted net position for governmental activities at June 30, 2023, was comprised of the following:

Purpose	Amount
ARPA	\$ 1,002,075
CDBG	1,711,494
City grant	1,259,120
City gifts	557,261
City revolving	1,951,888
City other	1,515,235
School revolving	5,362,640
School grants	3,450,551
Airport	155,814
Nonexpendable	2,418,949
Expendable	2,800,897
	<u>\$ 22,185,924</u>

NOTE 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 2023, was approximately \$848,000.

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. The City has periodically extended the agreement over the past few years. An amendment to the agreement through June 30, 2023, provides annual guaranteed revenue to the City of \$530,000.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits (Continued)

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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%.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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, 2023, was \$15,421,885, 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 PENSION

At June 30, 2023, the City reported a liability of approximately \$137.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to December 31, 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, 2023, the City's proportion was 95.18%, which was an increase of 0.27% from its proportion measured as of December 31, 2021.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION (CONTINUED)

For the year ended June 30, 2023, the City recognized pension expense of approximately \$15.3 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 Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,103	\$ (122)
Changes of assumptions	275	(480)
Changes in proportion and differences between contributions and proportionate share of contributions	--	(997)
Net difference between projected and actual earnings on pension plan investments	<u>9,975</u>	<u>--</u>
	<u><u>\$ 13,353</u></u>	<u><u>\$ (1,599)</u></u>

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

Year Ended June 30,	Amount
2024	\$ 286
2025	1,892
2026	3,280
2027	<u>6,296</u>
	<u><u>\$ 11,754</u></u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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	January 1, 2022
Actuarial cost method	Entry age normal
Remaining amortization period	9 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	
Group 1 and 2	4.75%
Fire	9.75%
Police	8.00%
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).

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	21.20%	4.39%
International equities	12.20%	4.19%
Emerging equities	4.70%	6.82%
Core bonds	13.80%	2.05%
Value-added fixed income	7.00%	5.07%
Private equity	17.70%	7.41%
Real estate	11.20%	3.02%
Timberland	3.20%	4.29%
Portfolio completion (PCS)	8.60%	8.09%
Overlay	0.40%	0.00%
	<u>100.00%</u>	

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM (CONTINUED)

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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 169,099	\$ 137,783	\$ 106,832

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 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 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

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, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

- (a) 2.5% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund, and (d) 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).

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

- 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	4.00%	3.90%
	<u>100.00%</u>	

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

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 GASB 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 OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 21 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

CITY PROPORTIONS

In fiscal year 2022 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$130 million based on a proportionate share of 0.50%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$10.5 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 approximately \$10.7 million as both a revenue and expense on the Statement of Activities.

NOTE 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, 2023.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	883
Active employees	1,227
	<hr/>
	2,110
	<hr/>

INVESTMENTS

All of the OPEB Trust Fund assets at June 30, 2023 were in an external investment pool – State Retirees Benefits Trust Fund (SRBT).

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The net OPEB liability was determined by an actuarial valuation as of July 1, 2022, 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	4.13%
Healthcare cost trend rates	5.00%
Retirees' share of benefit-related costs	25% – 30%
Participation rate	80% of eligible employees

Mortality rates were based on PUB 2010 Mortality table with MP-2021 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, 2023, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
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%
	<u>100.00%</u>	

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 4.13% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2023. 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, 2023, were as follows (in thousands):

Total OPEB liability	\$ 141,088
Plan fiduciary net position	<u>(2,713)</u>
Net OPEB liability	<u>\$ 138,375</u>

Plan fiduciary net position as a percentage of the total OPEB liability	1.92%
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CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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	\$ 140,420	\$ 2,324	\$ 138,096
Changes for the Year:			
Service cost	4,893	--	4,893
Interest	5,624	--	5,624
Contributions - employer	--	6,096	(6,096)
Net investment income	--	139	(139)
Differences between expected and actual experience	8,497	--	8,497
Changes of assumptions	(12,500)	--	(12,500)
Benefit payments	(5,846)	(5,846)	--
Net Changes	668	389	279
Balances, End of Year	<u>\$ 141,088</u>	<u>\$ 2,713</u>	<u>\$ 138,375</u>

Changes in assumptions reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023.

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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
\$ 158,953	\$ 138,375	\$ 121,704

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 was calculated using healthcare cost trend rates that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates (in thousands):

1% Decrease (6.0% decreasing to 3.5%)	Current Healthcare Trend Rate (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
\$ 120,463	\$ 138,375	\$ 161,025

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2023, the City recognized an OPEB expense of approximately \$4 million. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,624	\$ (11,477)
Changes of assumptions	13,445	(52,068)
Net difference between projected and actual OPEB investment earnings	--	(255)
	<u>\$ 21,069</u>	<u>\$ (63,800)</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

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

Year Ended June 30,	Amount
2024	\$ (6,418)
2025	(6,412)
2026	(7,044)
2027	(7,625)
2028	(7,977)
Thereafter	(7,255)
	<u>\$ (42,731)</u>

NOTE 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, 2022)	Other Post-Employer Benefits Trust Fund	Pension and OPEB Trust Fund
Assets			
Cash and short-term investments	\$ 202,220	\$ 67,859	\$ 270,079
Investments in external investment pools	157,347,071	2,645,029	159,992,100
Accounts receivable	356,331	--	356,331
Total Assets	<u>157,905,622</u>	<u>2,712,888</u>	<u>160,618,510</u>
Liabilities			
Accounts payable	269,135	--	269,135
Net Position			
Restricted for pension	157,636,487	--	157,636,487
Restricted for OPEB	--	2,712,888	2,712,888
Total Net Position	<u>\$ 157,636,487</u>	<u>\$ 2,712,888</u>	<u>\$ 160,349,375</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 23 - CONSOLIDATION OF PENSION AND OPEB TRUST FUND (CONTINUED)

	Pension Trust Fund (December 31, 2022)	Other Post-Employer Benefits Trust Fund	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employer	\$ 16,100,340	\$ 6,095,726	\$ 22,196,066
Plan members	4,265,289	--	4,265,289
Other systems and Commonwealth of Massachusetts	432,200	--	432,200
Other	33,277	--	33,277
Total Contributions	<u>20,831,106</u>	<u>6,095,726</u>	<u>26,926,832</u>
Investment Income (Loss):			
Investment income	--	138,720	138,720
Decrease in fair value of investments	(19,386,477)	--	(19,386,477)
Less: Management fees	(812,982)	--	(812,982)
Net Investment Income (Loss)	<u>(20,199,459)</u>	<u>138,720</u>	<u>(20,060,739)</u>
Total Additions	<u>631,647</u>	<u>6,234,446</u>	<u>6,866,093</u>
Deductions			
Benefit payments to plan members and beneficiaries	19,773,416	5,845,726	25,619,142
Refunds to plan members	421,098	--	421,098
Transfers to other systems	694,365	--	694,365
Administrative expenses	286,333	--	286,333
Total Deductions	<u>21,175,212</u>	<u>5,845,726</u>	<u>27,020,938</u>
Change in Net Position	<u>(20,543,565)</u>	<u>388,720</u>	<u>(20,154,845)</u>
Restricted Net Position			
Beginning of year	<u>178,180,052</u>	<u>2,324,168</u>	<u>180,504,220</u>
End of year	<u>\$ 157,636,487</u>	<u>\$ 2,712,888</u>	<u>\$ 160,349,375</u>

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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, 2023, were as follows:

Claims liability, beginning of year	\$ 1,607,818
Claims incurred/recognized in fiscal year 2023	25,453,048
Claims paid in fiscal year 2023	<u>(25,366,461)</u>
Claims liability, end of year	<u>\$ 1,694,405</u>

NOTE 25 - COMMITMENTS AND CONTINGENCIES

OUTSTANDING LEGAL ISSUES

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

GRANTS

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 25 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2023, the City has incurred approximately \$93.83 million of engineering and construction costs related to consent decree projects (2012 to present), \$73.58 million of which was funded through the Massachusetts Clean Water Trust (MCWT).

ENCUMBRANCES

At year-end, the City's General Fund had \$10,569,418 in encumbrances that will be honored in the next fiscal year.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 26 - BEGINNING FUND BALANCE/NET POSITION RECLASSIFICATION

GOVERNMENTAL FUNDS

The City's major governmental funds for fiscal year 2023, as defined by GASB 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:

	Capital Project Fund	Nonmajor Governmental Funds
As previously reported	\$ --	\$ 17,871,616
Reclassification of major funds	(1,540,824)	1,540,824
As reclassified	<u>\$ (1,540,824)</u>	<u>\$ 19,412,440</u>

PROPRIETARY FUNDS

In previous years, the Water Fund was reimbursed for 50% of the water meters' debt service from the Sewer Fund. In fiscal year 2023, 50% of the outstanding debt liability associated with the water meters has been reclassified from the Water Fund to the Sewer Fund. The impact of this reclassification is an increase in the liabilities and a decrease in the net position of the Sewer Fund, with a corresponding decrease in the liabilities and an increase in the net position of the Water Fund. The reclassification has been made retrospectively, and all comparative figures in the financial statements have been updated to reflect this change in accounting treatment. The reclassification has no impact on the total net position of the City.

NOTE 27 - SUBSEQUENT EVENTS

DEBT

Subsequent to June 30, 2023, the City incurred the following additional debt:

Purpose	Amount	Interest Rate	Issue Date	Maturity Date
MA Clean Water Trust - interim note CWP 21-07	\$ 1,048,700	2.00%	11/21/23	01/15/44
MA Clean Water Trust - interim note DWP 22-40	\$ 1,986,600	2.00%	11/21/23	01/15/44

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION STATEMENT OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL – GENERAL FUND (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 61,896,656	\$ 61,896,656	\$ 62,555,522	\$ 658,866
Excises	4,449,898	4,449,898	5,058,851	608,953
Penalties, interest, and other taxes	825,000	825,000	877,962	52,962
Charges for services	6,017,158	6,017,158	5,620,541	(396,617)
Intergovernmental	81,697,596	81,697,596	82,960,230	1,262,634
Licenses and permits	900,000	900,000	1,284,715	384,715
Fines and forfeitures	130,000	130,000	164,457	34,457
Investment income	10,000	10,000	702,687	692,687
Miscellaneous	663,000	663,000	1,461,041	798,041
Total Revenues	<u>156,589,308</u>	<u>156,589,308</u>	<u>160,686,006</u>	<u>4,096,698</u>
Expenditures				
General government	5,460,981	6,458,387	6,119,386	339,001
Public safety	18,691,898	19,679,395	19,028,469	650,926
Education	75,167,042	76,567,042	76,567,049	(7)
Public works	5,546,028	6,506,013	6,288,363	217,650
Health and human services	4,542,606	4,571,859	4,230,494	341,365
Culture and recreation	1,939,029	2,010,824	1,843,225	167,599
Employee benefits	33,772,753	34,083,811	34,016,212	67,599
Miscellaneous	1,388,099	1,388,099	1,383,352	4,747
Debt service	2,335,394	2,335,394	2,313,544	21,850
Intergovernmental	7,977,388	7,977,388	7,478,087	499,301
Total Expenditures	<u>156,821,218</u>	<u>161,578,212</u>	<u>159,268,181</u>	<u>2,310,031</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(231,910)</u>	<u>(4,988,904)</u>	<u>1,417,825</u>	<u>6,406,729</u>
Other Financing Sources (Uses)				
Transfers in	356,910	869,713	844,888	(24,825)
Transfers out	(1,500,000)	(2,470,000)	(2,470,000)	--
Use of free cash:				
Operating budget and capital items	675,000	4,669,191	--	(4,669,191)
Contribution to OPEB trust fund	--	250,000	--	(250,000)
Transfer to airport fund	--	120,000	--	(120,000)
Transfer to stabilization fund	--	850,000	--	(850,000)
Overlay surplus	700,000	700,000	--	(700,000)
Total Other Financing Sources (Uses)	<u>231,910</u>	<u>4,988,904</u>	<u>(1,625,112)</u>	<u>(6,614,016)</u>
Overall Budgetary (Deficiency)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (207,287)</u>	<u>\$ (207,287)</u>

See independent auditors' report and notes to required supplementary information.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2023

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.

	Revenues	Expenditures	Other Financing Sources (Uses)
GAAP Basis	\$ 170,388,877	\$ 169,068,903	\$ 775,112
Remove the effect of adding the City's stabilization fund per GASB 54	(31,123)	--	850,000
Reverse beginning of year appropriation carry- forwards from expenditures	--	(10,698,392)	--
Add end of year appropriation carryforwards to expenditures	--	10,569,418	--
Reverse the effect of grant reimbursements for indirect costs	866,925	866,925	--
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(10,538,673)</u>	<u>(10,538,673)</u>	<u>--</u>
Budgetary Basis	<u>\$ 160,686,006</u>	<u>\$ 159,268,181</u>	<u>\$ 1,625,112</u>

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(Unaudited)

(Amounts expressed in thousands)

Fitchburg Contributory Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	December 31, 2022	95.18%	\$ 137,783	\$ 34,232	402.5%	52.13%
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%

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

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

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

(Unaudited)

(Amounts expressed in thousands)

Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated by the City	Total Net Pension Liability Associated with the City	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2023	June 30, 2022	0.50%	\$ --	\$ 129,633	\$ 129,633	\$ 41,216	\$ --	57.75%	
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 auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

(Amounts expressed in thousands)

Fitchburg Contributory Retirement System							
Fiscal Year	Measurement Date	Contributions in Relation to the					
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
June 30, 2023	December 31, 2022	\$ 15,400	\$ 15,422	\$ (22)	\$ 34,232	45.05%	
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	\$ --	\$ 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%	

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

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

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

(Unaudited)

(Amounts expressed in thousands)

Massachusetts Teachers' Retirement System							
Fiscal Year	Measurement Date	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
June 30, 2023	June 30, 2022	\$ 10,539	\$ 10,539	\$ --	\$ 41,216	25.57%	
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 auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

(Unaudited)

(Amounts expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 4,893	\$ 8,052	\$ 7,076	\$ 6,654	\$ 5,936	\$ 5,828	\$ 5,434
Interest	5,624	4,162	4,875	4,826	4,836	4,747	4,868
Differences between expected and actual experience	8,497	(6,996)	(10,743)	(3)	(314)	4,697	--
Changes of assumptions	(12,500)	(55,139)	13,535	3,838	5,305	--	--
Benefit payments	<u>(5,846)</u>	<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	668	(55,057)	9,708	10,271	10,689	9,805	4,890
Total OPEB Liability - Beginning	<u>140,420</u>	<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)	<u>141,088</u>	<u>140,420</u>	<u>195,477</u>	<u>185,769</u>	<u>175,498</u>	<u>164,809</u>	<u>155,004</u>
Plan Fiduciary Net Position							
Contributions - employer	6,096	5,586	5,085	5,294	5,324	5,717	5,712
Net investment income (loss)	139	(124)	443	67	23	67	42
Benefit payments	<u>(5,846)</u>	<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	389	326	493	317	273	317	342
Plan Fiduciary Net Position - Beginning	<u>2,324</u>	<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>2,713</u>	<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>\$ 138,375</u>	<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 auditors' 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	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability	\$ 141,088	\$ 140,420	\$ 195,477	\$ 185,769	\$ 175,498	\$ 164,809	\$ 155,004
Plan fiduciary net position	(2,713)	(2,324)	(1,998)	(1,505)	(1,188)	(915)	(598)
Net OPEB Liability	<u>\$ 138,375</u>	<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	1.92%	1.66%	1.02%	0.81%	0.68%	0.56%	0.39%
Covered employee payroll	\$ 93,782	\$ 85,845	\$ 78,602	\$ 78,906	\$ 75,400	\$ 72,824	\$ 72,824
Net OPEB liability as a percentage of covered employee payroll	147.55%	160.87%	246.15%	233.52%	231.18%	225.05%	212.03%
Schedule of Contributions	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 15,308	\$ 20,216	\$ 19,174	\$ 18,222	\$ 16,932	\$ 10,576	\$ 10,303
Contributions in relation to the actuarially determined contribution	(6,096)	(5,586)	(5,085)	(5,294)	(5,324)	(5,717)	(5,712)
Contribution deficiency (excess)	<u>\$ 9,212</u>	<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	\$ 93,782	\$ 85,845	\$ 78,602	\$ 78,906	\$ 75,400	\$ 72,824	\$ 72,824
Contributions as a percentage of covered employee payroll	6.50%	6.51%	6.47%	6.71%	7.06%	7.85%	7.84%
Schedule of Investment Returns	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	5.70%	-5.60%	29.40%	5.50%	2.46%	8.90%	9.10%

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