



CITY OF FITCHBURG, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024 (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2023), 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, 2024 (except for the Fitchburg Contributory Retirement System, which is as of and for the year ended December 31, 2023), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*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. 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 the 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 GAAS, 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 May 20, 2025 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.

CBIZ CPAs P.C.

Greenfield, MA
May 20, 2025

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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, 2024.

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 deferred 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, 2024

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, 2024

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 \$(85,303,816), a change of \$23,335,728, and net position in business-type activities was \$86,545,764, a change of \$12,954,383.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$57,601,210, a change of \$(8,330,118) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,347,563, a change of \$(1,433,224) 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.

Summary of Net Position (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|------------------|-----------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Assets | | | | | | |
| Current and other assets | \$ 114,234 | \$ 122,348 | \$ 30,521 | \$ 29,456 | \$ 144,755 | \$ 151,804 |
| Capital assets | 176,127 | 139,595 | 146,615 | 140,448 | 322,742 | 280,043 |
| Total Assets | <u>290,361</u> | <u>261,943</u> | <u>177,136</u> | <u>169,904</u> | <u>467,497</u> | <u>431,847</u> |
| Deferred Outflows of Resources | <u>36,587</u> | <u>32,153</u> | <u>2,189</u> | <u>2,268</u> | <u>38,776</u> | <u>34,421</u> |
| Liabilities | | | | | | |
| Other liabilities | 45,647 | 44,629 | 12,871 | 9,596 | 58,518 | 54,225 |
| Long-term liabilities | 307,617 | 295,345 | 78,581 | 85,443 | 386,198 | 380,788 |
| Total Liabilities | <u>353,264</u> | <u>339,974</u> | <u>91,452</u> | <u>95,039</u> | <u>444,716</u> | <u>435,013</u> |
| Deferred Inflows of Resources | <u>58,988</u> | <u>62,761</u> | <u>1,327</u> | <u>3,542</u> | <u>60,315</u> | <u>66,303</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 150,875 | 117,608 | 73,795 | 68,815 | 224,670 | 186,423 |
| Restricted | 25,454 | 22,186 | -- | -- | 25,454 | 22,186 |
| Unrestricted | (261,633) | (248,433) | 12,751 | 4,776 | (248,882) | (243,657) |
| Total Net Position | <u>\$ (85,304)</u> | <u>\$ (108,639)</u> | <u>\$ 86,546</u> | <u>\$ 73,591</u> | <u>\$ 1,242</u> | <u>\$ (35,048)</u> |

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 \$1,241,948, a change of \$36,290,111 in comparison to the prior year.

The largest portion of net position, \$224,669,499, 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, \$25,454,037, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(248,881,588), primarily resulting from unfunded pension and OPEB liabilities.

Summary of Change in Net Position (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 17,414 | \$ 15,657 | \$ 24,564 | \$ 22,123 | \$ 41,978 | \$ 37,780 |
| Operating grants and contributions | 125,134 | 106,937 | -- | -- | 125,134 | 106,937 |
| Capital grants and contributions | 31,756 | 6,970 | 2,838 | 1,376 | 34,594 | 8,346 |
| General revenues: | | | | | | |
| Property taxes | 65,275 | 65,311 | -- | -- | 65,275 | 65,311 |
| Excises | 5,482 | 5,788 | -- | -- | 5,482 | 5,788 |
| Penalties, interest, and other taxes | 940 | 878 | -- | -- | 940 | 878 |
| Grants and contributions not restricted to specific programs | 13,056 | 12,764 | -- | -- | 13,056 | 12,764 |
| Investment income | 2,872 | 1,857 | 167 | 19 | 3,039 | 1,876 |
| Miscellaneous | 1,208 | 1,124 | -- | -- | 1,208 | 1,124 |
| Total Revenues | <u>263,137</u> | <u>217,286</u> | <u>27,569</u> | <u>23,518</u> | <u>290,706</u> | <u>240,804</u> |

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Summary of Change in Net Position (continued)

(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|------------------|-----------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Expenses | | | | | | |
| General government | 13,065 | 11,223 | -- | -- | 13,065 | 11,223 |
| Public safety | 32,499 | 28,659 | -- | -- | 32,499 | 28,659 |
| Education | 158,470 | 136,247 | -- | -- | 158,470 | 136,247 |
| Public works | 14,065 | 11,926 | -- | -- | 14,065 | 11,926 |
| Health and human services | 7,162 | 6,286 | -- | -- | 7,162 | 6,286 |
| Culture and recreation | 4,404 | 2,565 | -- | -- | 4,404 | 2,565 |
| Miscellaneous | 1,498 | 1,378 | -- | -- | 1,498 | 1,378 |
| Interest on long-term debt | 1,155 | 600 | -- | -- | 1,155 | 600 |
| Intergovernmental | 7,484 | 7,478 | -- | -- | 7,484 | 7,478 |
| Water operations | -- | -- | 4,843 | 7,221 | 4,843 | 7,221 |
| Sewer operations | -- | -- | 9,771 | 10,060 | 9,771 | 10,060 |
| Total Expenses | <u>239,802</u> | <u>206,362</u> | <u>14,614</u> | <u>17,281</u> | <u>254,416</u> | <u>223,643</u> |
| Change in Net Position | | | | | | |
| Before Transfers | 23,335 | 10,924 | 12,955 | 6,237 | 36,290 | 17,161 |
| Transfers In (Out) | <u>--</u> | <u>(60)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>(60)</u> |
| Change in Net Position | 23,335 | 10,864 | 12,955 | 6,237 | 36,290 | 17,101 |
| Net Position - Beginning 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> |
| Net Position - End of Year | <u>\$ (85,304)</u> | <u>\$ (108,639)</u> | <u>\$ 86,546</u> | <u>\$ 73,591</u> | <u>\$ 1,242</u> | <u>\$ (35,048)</u> |

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$23,335,728. Key elements of this change are as follows:

| | |
|---|----------------------|
| General Fund operations | \$ (2,309,656) |
| Major fund - ARPA Fund revenues in excess of expenditures | 523,794 |
| Major Fund - Capital Project Fund expenditures in excess of revenues and transfers in | (5,648,644) |
| Nonmajor Governmental Funds revenues and transfers in in excess of expenditures and transfers out | (895,612) |
| Internal service fund expenditures in excess of revenues | (1,146,980) |
| Capital assets purchases | 44,230,771 |
| Capital asset disposals, net | (291,336) |
| Depreciation expense in excess of principal debt service | (5,122,130) |
| Change in net pension liability, net of deferrals | 4,634,807 |
| Change in net OPEB liability, net of deferrals | (11,292,579) |
| Other | 653,293 |
| | <u>\$ 23,335,728</u> |

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$12,954,383. Key elements of this change result from the following operations:

| | |
|------------------|----------------------|
| Water operations | \$ 6,154,799 |
| Sewer operations | <u>6,799,584</u> |
| | <u>\$ 12,954,383</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 \$17,347,563, while total fund balance was \$29,040,549. 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, 2024 | June 30, 2023 | Change | % of General Fund Expenditures* |
|-------------------------------|----------------------|----------------------|-----------------------|---------------------------------------|
| General Fund | \$ 7,518,195 | \$ 10,193,338 | \$ (2,675,143) | 4.4% |
| Stabilization fund | <u>9,829,368</u> | <u>8,587,449</u> | <u>1,241,919</u> | 5.7% |
| Total Unassigned Fund Balance | <u>\$ 17,347,563</u> | <u>\$ 18,780,787</u> | <u>\$ (1,433,224)</u> | 10.0% |
| Total Fund Balance | <u>\$ 29,040,549</u> | <u>\$ 31,350,205</u> | <u>\$ (2,309,656)</u> | 16.8% |

*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 \$11,317,685.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

The total fund balance of the General Fund changed by \$(2,309,656) during the current fiscal year. Key elements in this change are as follows:

General Fund Operating Results:

| | |
|---|-----------------------|
| Shortfall of tax collections compared to budget | \$ (19,073) |
| State and local revenues and transfers in excess of budget | 3,660,963 |
| Budgetary appropriations unspent by departments | 2,853,394 |
| Use of free cash as a funding source for operating budget | (6,767,134) |
| Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year | (2,579,725) |
| Other sources - overlay surplus | (700,000) |
| Change in stabilization fund | <u>1,241,919</u> |
| | <u>\$ (2,309,656)</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 \$523,794 from investment income earned. At June 30, 2024, the ARPA Fund reported \$23,017,198 of received, but unspent funding.

Capital Project Fund

The fund balance of the major capital project governmental fund changed by \$(5,648,644), primarily from timing differences between receipt and disbursement of grants and the permanent financing of capital projects in advance of project costs.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(895,612) primarily from timing differences between the receipt and disbursement of grants and revolving funds.

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 \$12,751,028, a change of \$7,974,467 in comparison to the prior year.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 \$4,059,154. Major reasons for these amendments include:

| | |
|---|---------------------|
| Increase in general government appropriations | \$ 662,430 |
| Increase in education department appropriations | 1,032,430 |
| Increase in department of public works appropriations | 906,590 |
| Increase in culture and recreation appropriations | 150,000 |
| Increase in employee benefits appropriations | 1,902,000 |
| Contribution to the OPEB Trust Fund | 250,000 |
| Transfer to opioid settlement fund | 305,704 |
| Transfer to stabilization fund | <u>850,000</u> |
| | <u>\$ 6,059,154</u> |

Of this increase, \$5,467,134 was funded by free cash and \$2,395,312 was funded by a transfer in from other funds. The City also reduced the budget by \$3,803,292 to set aside funds for municipal purposes in fiscal year 2025.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$322,742,373 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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

| | |
|--|----------------|
| Depreciation expense - governmental activities | \$ (7,407,381) |
| Depreciation expense - business-type activities | (5,054,569) |
| Loss on disposition of assets - governmental activities | (209,914) |
| Loss on disposition of assets - business-type activities | (1,770) |
| Infrastructure | |
| Sidewalk improvements | 702,067 |
| Water mains and hydrants | 204,850 |
| Building and improvements | |
| General government | 339,900 |
| Foreclosures | 326,000 |
| Water | 97,350 |
| Departmental vehicles and equipment | |
| Public safety | 171,782 |
| Education | 413,538 |
| Public works | 214,729 |
| Culture and recreation | 137,166 |
| Sewer | 198,071 |
| Water | 225,760 |
| Land | |
| Foreclosed properties | 282,600 |
| John Fitch Highway | 210,100 |
| Construction in progress | |
| Crocker Elementary School | 33,332,245 |
| Crocker field improvements | 798,955 |
| Library building project | 1,781,296 |
| Longsjo School boiler replacement | 126,606 |
| Longsjo School window replacements | 3,796,165 |
| Elementary school playgrounds | 662,813 |
| Other governmental projects | 853,386 |
| Clarendon Street sewer project | 384,625 |
| East Plant lab and control room upgrades | 850,553 |
| Boulder Drive water main replacement | 1,017,224 |
| Main Street CSO separation | 5,511,745 |
| Oak Hill Road tank replacement | 501,163 |
| SCADA replacement | 1,769,605 |
| Other projects - water | 462,885 |

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

CITY OF FITCHBURG, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$103,555,949, all of which was backed by the full faith and credit of the City.

During fiscal year 2024, 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 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, 2024

Assets

Current Assets

| | | | |
|---------------------------|---------------|---------------|---------------|
| Cash and cash equivalents | \$ 65,173,537 | \$ 21,815,803 | \$ 86,989,340 |
| Investments | 29,610,416 | -- | 29,610,416 |
| Receivables | | | |
| Property taxes | 1,523,461 | -- | 1,523,461 |
| Excises | 1,988,522 | -- | 1,988,522 |
| User fees | -- | 6,462,047 | 6,462,047 |
| Departmental and other | 544,341 | -- | 544,341 |
| Intergovernmental | 10,973,132 | 154,726 | 11,127,858 |
| Other current assets | 60,000 | -- | 60,000 |

| | | | |
|-----------------------------|--------------------|-------------------|--------------------|
| Total Current Assets | <u>109,873,409</u> | <u>28,432,576</u> | <u>138,305,985</u> |
|-----------------------------|--------------------|-------------------|--------------------|

Noncurrent Assets

| | | | |
|---|-------------|-------------|-------------|
| Cash and cash equivalents | -- | 2,088,162 | 2,088,162 |
| Receivables | | | |
| Tax liens | 3,032,847 | -- | 3,032,847 |
| Loans | 1,328,656 | -- | 1,328,656 |
| Capital assets | | | |
| Nondepreciable capital assets | 64,485,767 | 29,539,394 | 94,025,161 |
| Other capital assets, net of accumulated depreciation | 111,641,297 | 117,075,915 | 228,717,212 |

| | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| Total Noncurrent Assets | <u>180,488,567</u> | <u>148,703,471</u> | <u>329,192,038</u> |
|--------------------------------|--------------------|--------------------|--------------------|

| | | | |
|---------------------|--------------------|--------------------|--------------------|
| Total Assets | <u>290,361,976</u> | <u>177,136,047</u> | <u>467,498,023</u> |
|---------------------|--------------------|--------------------|--------------------|

Deferred Outflows of Resources

| | | | |
|--------------------|------------|-----------|------------|
| Related to pension | 17,504,851 | 1,771,498 | 19,276,349 |
| Related to OPEB | 19,082,273 | 417,291 | 19,499,564 |

| | | | |
|---|-------------------|------------------|-------------------|
| Total Deferred Outflows of Resources | <u>36,587,124</u> | <u>2,188,789</u> | <u>38,775,913</u> |
|---|-------------------|------------------|-------------------|

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 8,371,480 | 1,105,167 | 9,476,647 |
| Accrued payroll and withholdings | 3,859,268 | -- | 3,859,268 |
| Accrued claims payable | 1,555,426 | -- | 1,555,426 |
| Unearned revenue | 25,948,112 | -- | 25,948,112 |
| Notes payable | 3,600,000 | 4,378,546 | 7,978,546 |
| Other current liabilities | 1,061 | 578,172 | 579,233 |
| Current portion of long-term liabilities | | | |
| Bonds and loans payable | <u>2,312,846</u> | <u>6,809,438</u> | <u>9,122,284</u> |
| Total Current Liabilities | <u>45,648,193</u> | <u>12,871,323</u> | <u>58,519,516</u> |
| Noncurrent Liabilities | | | |
| Bonds and loans payable, | | | |
| net of current portion | 32,334,894 | 62,098,771 | 94,433,665 |
| Net pension liability | 127,386,985 | 12,891,605 | 140,278,590 |
| Net OPEB liability | 144,406,248 | 3,157,871 | 147,564,119 |
| Compensated absences liability | <u>3,488,974</u> | <u>432,114</u> | <u>3,921,088</u> |
| Total Noncurrent Liabilities | <u>307,617,101</u> | <u>78,580,361</u> | <u>386,197,462</u> |
| Total Liabilities | <u>353,265,294</u> | <u>91,451,684</u> | <u>444,716,978</u> |
| Deferred Inflows of Resources | | | |
| Related to pension | 711,254 | 71,979 | 783,233 |
| Related to OPEB | 57,408,593 | 1,255,409 | 58,664,002 |
| Other | <u>867,775</u> | <u>--</u> | <u>867,775</u> |
| Total Deferred Inflows of Resources | <u>58,987,622</u> | <u>1,327,388</u> | <u>60,315,010</u> |
| Net Position | | | |
| Net investment in capital assets | 150,874,763 | 73,794,736 | 224,669,499 |
| Restricted for | | | |
| Grants and other statutory restrictions | 19,875,578 | -- | 19,875,578 |
| Endowment funds | | | |
| Nonexpendable | 2,479,840 | -- | 2,479,840 |
| Expendable | 3,098,619 | -- | 3,098,619 |
| Unrestricted | <u>(261,632,616)</u> | <u>12,751,028</u> | <u>(248,881,588)</u> |
| Total Net Position | <u>\$ (85,303,816)</u> | <u>\$ 86,545,764</u> | <u>\$ 1,241,948</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, 2024

| | | 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 | \$ 13,064,887 | \$ 3,572,541 | \$ 7,117,506 | \$ 1,021,533 | \$ (1,353,307) | \$ -- | \$ (1,353,307) |
| Public safety | 32,499,085 | 4,450,811 | 1,860,071 | -- | (26,188,203) | -- | (26,188,203) |
| Education | 158,469,778 | 4,620,596 | 113,335,966 | 28,195,278 | (12,317,938) | -- | (12,317,938) |
| Public works | 14,065,580 | 1,597,498 | 492,739 | 24,763 | (11,950,580) | -- | (11,950,580) |
| Health and human services | 7,161,510 | 2,934,009 | 1,966,883 | -- | (2,260,618) | -- | (2,260,618) |
| Culture and recreation | 4,403,891 | 238,932 | 359,592 | 2,514,676 | (1,290,691) | -- | (1,290,691) |
| Miscellaneous | 1,498,229 | -- | -- | -- | (1,498,229) | -- | (1,498,229) |
| Interest on long-term debt | 1,154,999 | -- | -- | -- | (1,154,999) | -- | (1,154,999) |
| Intergovernmental | 7,483,679 | -- | -- | -- | (7,483,679) | -- | (7,483,679) |
| Total Governmental Activities | <u>239,801,638</u> | <u>17,414,387</u> | <u>125,132,757</u> | <u>31,756,250</u> | <u>(65,498,244)</u> | <u>--</u> | <u>(65,498,244)</u> |
| Business-Type Activities | | | | | | | |
| Water operations | 4,843,439 | 8,261,516 | -- | 2,725,307 | -- | 6,143,384 | 6,143,384 |
| Sewer operations | 9,770,895 | 16,301,811 | -- | 112,885 | -- | 6,643,801 | 6,643,801 |
| Total Business-Type Activities | <u>14,614,334</u> | <u>24,563,327</u> | <u>--</u> | <u>2,838,192</u> | <u>--</u> | <u>12,787,185</u> | <u>12,787,185</u> |
| | <u>\$ 254,415,972</u> | <u>\$ 41,977,714</u> | <u>\$ 125,132,757</u> | <u>\$ 34,594,442</u> | <u>(65,498,244)</u> | <u>12,787,185</u> | <u>(52,711,059)</u> |
| General Revenues and Transfers | | | | | | | |
| Property taxes | | | | | \$ 65,274,805 | \$ -- | \$ 65,274,805 |
| Excises | | | | | 5,482,419 | -- | 5,482,419 |
| Penalties, interest, and other taxes | | | | | 940,092 | -- | 940,092 |
| Grants and contributions not restricted to specific programs | | | | | 13,056,296 | -- | 13,056,296 |
| Investment income | | | | | 2,872,285 | 167,198 | 3,039,483 |
| Miscellaneous | | | | | 1,208,075 | -- | 1,208,075 |
| Total General Revenues | | | | | <u>88,833,972</u> | <u>167,198</u> | <u>89,001,170</u> |
| Change in Net Position | | | | | 23,335,728 | 12,954,383 | 36,290,111 |
| Net Position, Beginning of Year | | | | | <u>(108,639,544)</u> | <u>73,591,381</u> | <u>(35,048,163)</u> |
| Net Position, End of Year | | | | | <u>\$ (85,303,816)</u> | <u>\$ 86,545,764</u> | <u>\$ 1,241,948</u> |

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

CITY OF FITCHBURG, MASSACHUSETTS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2024

| | General Fund | ARPA Fund | Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 11,020,843 | \$ 25,893,855 | \$ 12,489,938 | \$ 10,647,135 | \$ 60,051,771 |
| Investments | 24,972,912 | -- | -- | 4,637,504 | 29,610,416 |
| Receivables | | | | | |
| Property taxes | 1,523,461 | -- | -- | -- | 1,523,461 |
| Excises | 1,988,522 | -- | -- | -- | 1,988,522 |
| Departmental and other | 530,043 | -- | -- | 14,298 | 544,341 |
| Intergovernmental | 480,869 | -- | 3,900,672 | 6,209,889 | 10,591,430 |
| Tax title and demolition liens | 3,032,847 | -- | -- | -- | 3,032,847 |
| Loans | -- | -- | -- | 1,328,656 | 1,328,656 |
| Other assets | 60,000 | -- | -- | -- | 60,000 |
| Total Assets | \$ 43,609,497 | \$ 25,893,855 | \$ 16,390,610 | \$ 22,837,482 | \$ 108,731,444 |
| Liabilities | | | | | |
| Accounts payable | \$ 2,088,282 | \$ 1,350,788 | \$ 3,395,171 | \$ 1,375,466 | \$ 8,209,707 |
| Accrued payroll and withholdings | 3,586,045 | -- | -- | 273,338 | 3,859,383 |
| Unearned revenue | 1,803,293 | 23,017,198 | -- | 1,127,621 | 25,948,112 |
| Notes payable | -- | -- | 3,600,000 | -- | 3,600,000 |
| Other liabilities | 946 | -- | -- | -- | 946 |
| Total Liabilities | 7,478,566 | 24,367,986 | 6,995,171 | 2,776,425 | 41,618,148 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues | 7,090,382 | -- | -- | 2,421,704 | 9,512,086 |
| Fund Balances | | | | | |
| Nonspendable | -- | -- | -- | 2,479,840 | 2,479,840 |
| Restricted | -- | 1,525,869 | 12,190,655 | 19,026,624 | 32,743,148 |
| Assigned | 11,692,986 | -- | -- | -- | 11,692,986 |
| Unassigned | 17,347,563 | -- | (2,795,216) | (3,867,111) | 10,685,236 |
| Total Fund Balances | 29,040,549 | 1,525,869 | 9,395,439 | 17,639,353 | 57,601,210 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 43,609,497 | \$ 25,893,855 | \$ 16,390,610 | \$ 22,837,482 | \$ 108,731,444 |

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, 2024

| | |
|---|------------------------|
| <i>Total Governmental Fund Balances</i> | \$ 57,601,210 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 176,127,064 |
| Deferred outflows of resources related to pension to be recognized in pension expense in future periods. | 17,504,851 |
| Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods. | 19,082,273 |
| Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 9,512,086 |
| 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. | 2,918,494 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. | |
| Bonds and loans payable | (34,647,740) |
| Net pension liability | (127,386,985) |
| Net OPEB liability | (144,406,248) |
| Compensated absences liability | (3,488,974) |
| Deferred inflows of resources related to pension to be recognized in pension expense in future periods. | (711,254) |
| Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods. | <u>(57,408,593)</u> |
| <i>Net Position of Governmental Activities</i> | <u>\$ (85,303,816)</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, 2024

| | General Fund | ARPA Fund | Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|----------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 64,418,613 | \$ -- | \$ -- | \$ -- | \$ 64,418,613 |
| Excises | 5,367,965 | -- | -- | -- | 5,367,965 |
| Penalties, interest, and other taxes | 940,092 | -- | -- | -- | 940,092 |
| Charges for services | 5,760,463 | -- | -- | 3,414,792 | 9,175,255 |
| Intergovernmental | 100,306,560 | 4,786,257 | 30,709,929 | 32,972,909 | 168,775,655 |
| Licenses and permits | 1,306,412 | -- | -- | -- | 1,306,412 |
| Fines and forfeitures | 171,716 | -- | -- | -- | 171,716 |
| Investment income | 1,631,199 | 523,794 | 99,047 | 372,998 | 2,627,038 |
| Miscellaneous | 849,577 | -- | -- | 147,104 | 996,681 |
| Total Revenues | <u>180,752,597</u> | <u>5,310,051</u> | <u>30,808,976</u> | <u>36,907,803</u> | <u>253,779,427</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 6,777,158 | 940,303 | -- | 2,878,545 | 10,596,006 |
| Public safety | 19,001,019 | -- | -- | 2,755,294 | 21,756,313 |
| Education | 96,003,059 | 1,288,259 | 37,228,037 | 24,210,637 | 158,729,992 |
| Public works | 6,232,558 | 1,792,909 | -- | 2,389,888 | 10,415,355 |
| Health and human services | 4,214,703 | 59,454 | -- | 1,689,578 | 5,963,735 |
| Culture and recreation | 2,408,322 | 705,332 | 1,607,216 | 371,790 | 5,092,660 |
| Employee benefits | 36,936,089 | -- | -- | 197,237 | 37,133,326 |
| Miscellaneous | 1,498,229 | -- | -- | -- | 1,498,229 |
| Debt service | | | | | |
| Principal | 2,084,000 | -- | -- | -- | 2,084,000 |
| Interest | 1,356,250 | -- | -- | -- | 1,356,250 |
| Intergovernmental | 7,483,679 | -- | -- | -- | 7,483,679 |
| Total Expenditures | <u>183,995,066</u> | <u>4,786,257</u> | <u>38,835,253</u> | <u>34,492,969</u> | <u>262,109,545</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(3,242,469)</u> | <u>523,794</u> | <u>(8,026,277)</u> | <u>2,414,834</u> | <u>(8,330,118)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 1,238,517 | -- | 2,377,633 | 305,704 | 3,921,854 |
| Transfers out | (305,704) | -- | -- | (3,616,150) | (3,921,854) |
| Total Other Financing Sources (Uses) | <u>932,813</u> | <u>--</u> | <u>2,377,633</u> | <u>(3,310,446)</u> | <u>--</u> |
| Change in Fund Balance | <u>(2,309,656)</u> | <u>523,794</u> | <u>(5,648,644)</u> | <u>(895,612)</u> | <u>(8,330,118)</u> |
| Fund Balance, at Beginning 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> |
| Fund Balance, at End of Year | <u>\$ 29,040,549</u> | <u>\$ 1,525,869</u> | <u>\$ 9,395,439</u> | <u>\$ 17,639,353</u> | <u>\$ 57,601,210</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, 2024

Net Changes in Fund Balances - Total Governmental Funds \$ (8,330,118)

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 | 44,230,771 |
| Net effect from disposal of assets | (291,336) |
| Depreciation | (7,407,381) |

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:

| | |
|--|-----------|
| Repayments of general obligation bonds and loans | 2,084,000 |
| Bond premium amortization | 201,251 |
| Financing agreement payments | 98,566 |

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. 310,596

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 | 4,634,807 |
| Change in net OPEB liability and related deferred outflows and inflows | (11,292,579) |
| Change in compensated absences liability | 244,131 |

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. (1,146,980)

Changes in Net Position of Governmental Activities \$ 23,335,728

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

CITY OF FITCHBURG, MASSACHUSETTS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2024

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|--|--|--------------------|--------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Fund |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,493,103 | \$ 20,322,700 | \$ 21,815,803 | \$ 5,121,766 |
| User fees receivable | 2,185,969 | 4,276,078 | 6,462,047 | -- |
| Intergovernmental receivables | <u>75,313</u> | <u>79,413</u> | <u>154,726</u> | <u>381,702</u> |
| Total Current Assets | <u>3,754,385</u> | <u>24,678,191</u> | <u>28,432,576</u> | <u>5,503,468</u> |
| Noncurrent Assets | | | | |
| Cash and cash equivalents | 636,649 | 1,451,513 | 2,088,162 | -- |
| Capital assets | | | | |
| Nondepreciable capital assets | 10,299,848 | 19,239,546 | 29,539,394 | -- |
| Other capital assets, net of accumulated depreciation | <u>40,602,329</u> | <u>76,473,586</u> | <u>117,075,915</u> | <u>--</u> |
| Total Noncurrent Assets | <u>51,538,826</u> | <u>97,164,645</u> | <u>148,703,471</u> | <u>--</u> |
| Total Assets | <u>55,293,211</u> | <u>121,842,836</u> | <u>177,136,047</u> | <u>5,503,468</u> |
| Deferred Outflows of Resources | | | | |
| Related to pension | 850,088 | 921,410 | 1,771,498 | -- |
| Related to OPEB | <u>115,048</u> | <u>302,243</u> | <u>417,291</u> | <u>--</u> |
| Total Deferred Outflows of Resources | <u>965,136</u> | <u>1,223,653</u> | <u>2,188,789</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, 2024

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|--|--|----------------------|----------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Fund |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 214,604 | 890,563 | 1,105,167 | 161,773 |
| Accrued claims payable | -- | -- | -- | 1,555,426 |
| Notes payable | -- | 4,378,546 | 4,378,546 | -- |
| Other current liabilities | 66,010 | 512,162 | 578,172 | -- |
| Current portion of long-term liabilities | | | | |
| Bonds and loans payable | 1,780,202 | 5,029,236 | 6,809,438 | -- |
| Total Current Liabilities | <u>2,060,816</u> | <u>10,810,507</u> | <u>12,871,323</u> | <u>1,717,199</u> |
| Noncurrent Liabilities | | | | |
| Bonds and loans payable, | | | | |
| net of current portion | 9,476,523 | 52,622,248 | 62,098,771 | -- |
| Net pension liability | 6,186,287 | 6,705,318 | 12,891,605 | -- |
| Net OPEB liability | 870,627 | 2,287,244 | 3,157,871 | -- |
| Compensated absences liability | 212,349 | 219,765 | 432,114 | -- |
| Total Noncurrent Liabilities | <u>16,745,786</u> | <u>61,834,575</u> | <u>78,580,361</u> | <u>--</u> |
| Total Liabilities | <u>18,806,602</u> | <u>72,645,082</u> | <u>91,451,684</u> | <u>1,717,199</u> |
| Deferred Inflows of Resources | | | | |
| Related to pension | 34,541 | 37,438 | 71,979 | -- |
| Related to OPEB | 346,117 | 909,292 | 1,255,409 | -- |
| Other | -- | -- | -- | 867,775 |
| Total Deferred Inflows of Resources | <u>380,658</u> | <u>946,730</u> | <u>1,327,388</u> | <u>867,775</u> |
| Net Position | | | | |
| Net investment in capital assets | 39,645,452 | 34,149,284 | 73,794,736 | -- |
| Unrestricted | (2,574,365) | 15,325,393 | 12,751,028 | 2,918,494 |
| Total Net Position | <u>\$ 37,071,087</u> | <u>\$ 49,474,677</u> | <u>\$ 86,545,764</u> | <u>\$ 2,918,494</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, 2024

| | Business-Type Activities Enterprise Funds | | | Governmental Activities |
|--|--|----------------------|----------------------|-----------------------------|
| | Water Fund | Sewer Fund | Total | Internal Service Fund |
| Operating Revenues | | | | |
| Charges for services | \$ 8,261,516 | \$ 16,301,811 | \$ 24,563,327 | \$ -- |
| Employee contributions | -- | -- | -- | 6,536,748 |
| Employer contributions | -- | -- | -- | 18,149,780 |
| Miscellaneous | -- | -- | -- | 211,394 |
| Total Operating Revenues | <u>8,261,516</u> | <u>16,301,811</u> | <u>24,563,327</u> | <u>24,897,922</u> |
| Operating Expenses | | | | |
| Salary and benefits | (310,118) * | (314,655) * | (624,773) | -- |
| Operating expenses | 1,537,125 | 2,951,187 | 4,488,312 | -- |
| Administrative assessments | 1,110,000 | 1,210,000 | 2,320,000 | -- |
| Employee benefits | -- | -- | -- | 26,290,149 |
| Depreciation | 2,186,616 | 2,867,953 | 5,054,569 | -- |
| Other | 11,023 | 1,158,806 | 1,169,829 | -- |
| Total Operating Expenses | <u>4,534,646</u> | <u>7,873,291</u> | <u>12,407,937</u> | <u>26,290,149</u> |
| Operating Income (Loss) | <u>3,726,870</u> | <u>8,428,520</u> | <u>12,155,390</u> | <u>(1,392,227)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Intergovernmental revenue | 2,725,307 | 112,885 | 2,838,192 | -- |
| Investment income | 11,415 | 155,783 | 167,198 | 245,247 |
| Interest expense | (308,793) | (1,897,604) | (2,206,397) | -- |
| Total Nonoperating Revenues (Expenses), Net | <u>2,427,929</u> | <u>(1,628,936)</u> | <u>798,993</u> | <u>245,247</u> |
| Change in Net Position | <u>6,154,799</u> | <u>6,799,584</u> | <u>12,954,383</u> | <u>(1,146,980)</u> |
| Net Position, at Beginning of Year | <u>30,916,288</u> | <u>42,675,093</u> | <u>73,591,381</u> | <u>4,065,474</u> |
| Net Position, at End of Year | <u>\$ 37,071,087</u> | <u>\$ 49,474,677</u> | <u>\$ 86,545,764</u> | <u>\$ 2,918,494</u> |

* Negative expenses due to NPL and OPEB adjustments.

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, 2024

| | 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 | \$ 7,688,733 | \$ 15,823,036 | \$ 23,511,769 | \$ -- |
| Receipts from employees and employer | -- | -- | -- | 24,661,380 |
| Payments to employees | (3,305,119) | (3,613,624) | (6,918,743) | -- |
| Payments to vendors | (2,214,377) | (3,637,210) | (5,851,587) | -- |
| Payments of employee benefits and expenses | -- | -- | -- | (26,267,355) |
| Net Cash Provided by (Used for) | | | | |
| Operating Activities | <u>2,169,237</u> | <u>8,572,202</u> | <u>10,741,439</u> | <u>(1,605,975)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Acquisition and construction of capital assets, net of disposals | (4,277,066) | (6,944,994) | (11,222,060) | -- |
| Intergovernmental revenue | 2,649,994 | 112,885 | 2,762,879 | -- |
| Proceeds of bonds | 1,986,600 | 1,048,700 | 3,035,300 | -- |
| Proceeds of notes | -- | 4,378,546 | 4,378,546 | -- |
| Principal payments on bonds and loans | (1,693,342) | (2,897,855) | (4,591,197) | -- |
| Principal payments on notes | (762,059) | (924,040) | (1,686,099) | -- |
| Interest paid | (242,783) | (1,390,545) | (1,633,328) | -- |
| Net Cash (Used for) Capital and Related Financing Activities | <u>(2,338,656)</u> | <u>(6,617,303)</u> | <u>(8,955,959)</u> | <u>--</u> |
| Cash Flows from Investing Activities | | | | |
| Investment income | <u>11,415</u> | <u>155,783</u> | <u>167,198</u> | <u>245,247</u> |
| Net Cash Provided by Investing Activities | <u>11,415</u> | <u>155,783</u> | <u>167,198</u> | <u>245,247</u> |
| Net Change in Cash and Cash Equivalents | (158,004) | 2,110,682 | 1,952,678 | (1,360,728) |
| Cash and Cash Equivalents | | | | |
| Beginning of Year | <u>2,287,756</u> | <u>19,663,531</u> | <u>21,951,287</u> | <u>6,482,494</u> |
| Cash and Cash Equivalents | | | | |
| End of Year | <u>\$ 2,129,752</u> | <u>\$ 21,774,213</u> | <u>\$ 23,903,965</u> | <u>\$ 5,121,766</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, 2024

| | 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) | \$ 3,726,870 | \$ 8,428,520 | \$ 12,155,390 | \$ (1,392,227) |
| Adjustments to reconcile operating income | | | | |
| (loss) to net cash provided by (used for) | | | | |
| operating activities | | | | |
| Depreciation | 2,186,616 | 2,867,953 | 5,054,569 | -- |
| Changes in assets and liabilities and | | | | |
| deferred outflows/inflows | | | | |
| User fees receivable / other receivables | (572,783) | (478,775) | (1,051,558) | (200,104) |
| Deferred outflows - related to pension | (382,736) | (244,418) | (627,154) | -- |
| Deferred outflows - related to OPEB | 419,806 | 287,408 | 707,214 | -- |
| Accounts payable | (666,229) | 467,680 | (198,549) | 125,335 |
| Accrued claims payable | -- | -- | -- | (138,979) |
| Other current liabilities | -- | 5,103 | 5,103 | -- |
| Net pension liability | 1,363,887 | (280,273) | 1,083,614 | -- |
| Net OPEB liability | (2,642,149) | (1,585,425) | (4,227,574) | -- |
| Compensated absences liability | 30,890 | 24,331 | 55,221 | -- |
| Deferred inflows - related to pension | (21,421) | (43,627) | (65,048) | -- |
| Deferred inflows - related to OPEB | (1,273,514) | (876,275) | (2,149,789) | -- |
| Net Cash Provided by (Used for) | | | | |
| Operating Activities | <u>\$ 2,169,237</u> | <u>\$ 8,572,202</u> | <u>\$ 10,741,439</u> | <u>\$ (1,605,975)</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, 2024

| | Pension and OPEB Trust Fund* | Custodial Funds |
|---|------------------------------------|--------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,462,118 | \$ 892,125 |
| Investments in external investment pools | 175,400,560 | -- |
| Accounts receivable | <u>359,089</u> | <u>--</u> |
| Total Assets | <u>177,221,767</u> | <u>892,125</u> |
| Liabilities | | |
| Accounts payable | 11,415 | 43,002 |
| Other liabilities | <u>--</u> | <u>646,669</u> |
| Total Liabilities | <u>11,415</u> | <u>689,671</u> |
| Net Position | | |
| Restricted for pension | 173,984,628 | -- |
| Restricted for OPEB | 3,225,724 | -- |
| Restricted for individuals, organizations, and other governments | <u>--</u> | <u>202,454</u> |
| Total Net Position | <u>\$ 177,210,352</u> | <u>\$ 202,454</u> |

* Pension Trust fund is as of December 31, 2023. See Note 20.

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, 2024

| | Pension and OPEB Trust Fund* | Custodial Funds |
|--|------------------------------------|--------------------------|
| Additions | | |
| Contributions | | |
| Employer | \$ 22,213,504 | \$ -- |
| Plan members | 4,680,989 | -- |
| Other systems and Commonwealth of Massachusetts | 379,626 | -- |
| Other | 5,294 | -- |
| Fees collected for State of Massachusetts | -- | 37,363 |
| Fees collected for other entities and individuals | -- | 288,806 |
| Fees collected for students | -- | 88,287 |
| Total Contributions | <u>27,279,413</u> | <u>414,456</u> |
| Investment Income | | |
| Increase in fair value of investments | 17,845,710 | -- |
| Less: Management fees | <u>(829,459)</u> | <u>--</u> |
| Net Investment Income | <u>17,016,251</u> | <u>--</u> |
| Total Additions | <u>44,295,664</u> | <u>414,456</u> |
| Deductions | | |
| Benefit payments to plan members and beneficiaries | 26,012,012 | -- |
| Refunds to plan members | 428,736 | -- |
| Transfers to other systems | 699,975 | -- |
| Administrative expenses | 293,964 | -- |
| Payments of fees to State of Massachusetts | -- | 37,993 |
| Payments of fees to other entities and individuals | -- | 258,050 |
| Payment on behalf of students | -- | 72,807 |
| Total Deductions | <u>27,434,687</u> | <u>368,850</u> |
| Change in Net Position | 16,860,977 | 45,606 |
| Restricted Net Position | | |
| Beginning of Year | <u>160,349,375</u> | <u>156,848</u> |
| End of Year | <u><u>\$ 177,210,352</u></u> | <u><u>\$ 202,454</u></u> |

* Pension Trust fund is as of December 31, 2023. See Note 20.

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, 2024

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 2024, it was determined that no entities met the component unit requirements of GASB Statement No. 14, *The Financial Reporting Entity* (as amended), other than as described below.

Fiduciary Component Unit

The Fitchburg Contributory Retirement System (the “System”) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting as of and for the year ended December 31, 2023 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.

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*.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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. Operating and capital grants are reported as intergovernmental revenue on the statement of revenues, expenditures, and changes in fund balance and include both federal and state grants. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The City reports the following fiduciary funds:

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

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 reported at fair value, except certificates of deposit, which are reported at cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 or debt exemption is voted. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CAPITAL ASSETS

Capital assets, which include land, land improvements, buildings and improvements, machinery, equipment, furnishings, construction in progress, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------------|--------------|
| Buildings and improvements | 40 |
| Land improvements | 40 |
| Infrastructure | 40 - 50 |
| Machinery and equipment | 5 - 15 |
| Office equipment and furniture | 5 - 20 |
| Computer equipment | 5 |

COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick, personal, and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FUND BALANCE/NET POSITION

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows.

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. No funds met this fund balance classification in fiscal year 2024.
- *Assigned* represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and a surplus set aside to be used in subsequent year's budget.
- *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, 2024

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.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

DEFICIT FUND EQUITY

Certain individual funds reflected deficit balances as of June 30, 2024. It is anticipated that the deficits in these funds will be eliminated through future departmental and grant revenues, bond proceeds, and/or transfers from other funds.

NOTE 3 - DEPOSITS AND INVESTMENTS - CITY (EXCLUDING THE PENSION AND OPEB TRUST FUNDS)

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.

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, 2024, none of the City's bank balance of \$94,877,844 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$48,285 was invested in MMDT, which is not subject to this disclosure.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

INVESTMENTS

The following is a summary of the City's investments as of June 30, 2024:

| <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|---------------------|
| Certificates of deposit | \$ 15,610,600 |
| Corporate bonds | 5,800,720 |
| Corporate equities | 984,896 |
| Equity mutual funds | 634,207 |
| Federal agency securities | 1,082,481 |
| U.S. Treasury notes | <u>5,497,512</u> |
| | <u>\$29,610,416</u> |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in possession of another party. The City's investment policy manages custodial credit risk by the diversification and prudent selection of investment instruments and choice of depository. The City manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2024, \$2,102,552 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:

| <u>Investment Type</u> | <u>Amount</u> | <u>Held by Counterparty</u> |
|---------------------------|----------------------|---------------------------------|
| Corporate bonds | \$ 5,800,720 | \$ 582,970 |
| Corporate equities | 984,896 | 984,896 |
| Equity mutual funds | 634,207 | 534,686 |
| Federal agency securities | 1,082,481 | -- |
| U.S. Treasury notes | <u>5,497,512</u> | <u>--</u> |
| | <u>\$ 13,999,816</u> | <u>\$ 2,102,552</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Credit Risk

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, MGL, Chapter 44, Section 55, limits 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, 2024, 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):

| Investment Type | Amount | Rating as of Year End | | | |
|---------------------------|---------------------|-----------------------|---------------------|-------------------|-------------------|
| | | AAA | A+/A/A- | BBB+ | BBB |
| Corporate bonds | \$ 5,800,720 | \$ 400,950 | \$ 3,957,218 | \$ 921,658 | \$ 520,894 |
| Federal agency securities | <u>1,082,481</u> | <u>1,082,481</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| | <u>\$ 6,883,201</u> | <u>\$ 1,483,431</u> | <u>\$ 3,957,218</u> | <u>\$ 921,658</u> | <u>\$ 520,894</u> |

Concentration of Credit Risk

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

At June 30, 2024 the City had a certificate of deposit at Unibank with a balance of \$15,462,687. This certificate of deposit represented 52.22% of the City's total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy manages interest rate risk by the diversification and prudent selection of investment instruments and choice of depository. The Library's separate investments policy limits interest rate risk by requiring fixed income investments (bonds) to have an average maturity of 7 years or less.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations was as follows at June 30, 2024:

| Investment Type | Amount | Investment Maturities (in Years) | | |
|---------------------------|----------------------|----------------------------------|---------------------|-------------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 |
| Corporate bonds | \$ 5,800,720 | \$ 1,687,490 | \$ 4,113,230 | \$ -- |
| Federal agency securities | 1,082,481 | 176,353 | 784,663 | 121,465 |
| U.S. Treasury notes | <u>5,497,512</u> | <u>1,360,781</u> | <u>3,327,014</u> | <u>809,717</u> |
| | <u>\$ 12,380,713</u> | <u>\$ 3,224,624</u> | <u>\$ 8,224,907</u> | <u>\$ 931,182</u> |

Foreign Currency Risk

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

At June 30, 2024, 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

The City had the following fair value measurements as of June 30, 2024:

| 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 | \$ 5,800,720 | \$ -- | \$ 5,800,720 | \$ -- |
| Corporate equities | 984,896 | 984,896 | -- | -- |
| Equity mutual funds | 634,207 | 634,207 | -- | -- |
| Federal agency securities | 1,082,481 | -- | 1,082,481 | -- |
| U.S. Treasury notes | 5,497,512 | -- | 5,497,512 | -- |
| | <u>\$ 13,999,816</u> | <u>\$ 1,619,103</u> | <u>\$ 12,380,713</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.

Certificates of deposit (CDs) classified in Level 2 are valued using observable inputs other than quoted prices in active markets for identical assets. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and other inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the asset.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

As of June 30, 2024, all of the OPEB Trust Fund investments totaling \$3,225,724 were invested in an external (State) investment pool – State Retirees Benefits Trust Fund ("SRBT"), a pooled investment fund of the Commonwealth of Massachusetts created by legislation (Chapter 661 of the Acts of 1983). SRBT primarily serves the Commonwealth, municipalities, and other governmental entities that elect to invest funds earmarked for retiree health insurance costs. The SRBT is mandated by statute to invest all their assets into the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board (PRIM), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trust. PRIM shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under MGL Chapter 30B. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

CUSTODIAL CREDIT RISK

As of June 30, 2024, all of the OPEB Trust Fund's investments were unrated by nationally recognized statistical rating organizations.

CONCENTRATION OF CREDIT RISK

As of June 30, 2024, the OPEB Trust Fund did not have any investments subject to concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

INTEREST RATE RISK

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

FOREIGN CURRENCY RISK

As of June 30, 2024, all of the OPEB Trust Fund's investments were exempt from foreign currency risk disclosure as they were invested in SRBT, which does not invest in foreign investments.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FAIR VALUE

The OPEB Trust Fund's investments are in SRBT, which are determined using the net asset value (NAV). Investments measured at the NAV for fair value are not subject to level classification. The fair value of these investments has been determined using the NAV as a practical expedient and has not been categorized within the fair value hierarchy (Level 1, Level 2, or Level 3).

| Investment Type | Amount | Unfunded Commitments | Redemption Frequency (If currently eligible) | Redemption Notice Period |
|---------------------------------|--------------|-------------------------|---|--------------------------------|
| External investment pool - SRBT | \$ 3,225,724 | \$ -- | Monthly | 30 days |

NOTE 5 - INVESTMENTS - PENSION TRUST FUND OF THE SYSTEM

As of December 31, 2023, all of the Fitchburg Contributory Retirement System's (the "System") investments totaling \$172,174,836 were in an external State investment pool – Pension Reserves Investment Trust ("PRIT"). PRIT was created under MGL, Chapter 32, Section 22, in December 1983. The PRIT pooled fund is an external investment pool that is not registered with the Securities Exchange Commission but is subject to oversight provided by the Pension Reserves Investment Management Board ("PRIM"). PRIM was created by legislation to provide general supervision of the investments and management of PRIT. PRIM 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

As of December 31, 2023, all of the System's investments were unrated by nationally recognized statistical rating organizations.

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. MGL, Chapter 32, Section 23, limit the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investments in a single issuer. MGL, Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

As of December 31, 2023, the System did not have any investments subject to concentration of credit risk. Investment issued or explicitly guaranteed by the external investment pools are excluded from concentration of credit disclosure.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair 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, 2023, none of the System's investments were exposed to foreign currency risk.

RISKS AND UNCERTAINTIES

The System investments in investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the Statement of Fiduciary Net Position. The System, through its investment advisor, monitors the System's investments and the risks associated therewith on a regular basis, which the System believes minimizes these risks.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FAIR VALUE

The System's investments are in PRIT, which are determined using the NAV.

At December 31, 2023, there were no unfunded commitments. Redemption frequency is monthly with a 30-day redemption notice period. PRIT maintains a diversified portfolio of active and passive investment strategies. A significant portion of the fund is allocated to global equity investments, which typically generate higher returns, but can also experience more volatility. To offset potential volatility and diversify the fund, investments are made in alternative asset classes that demonstrate little correlation to equities, serving to generate more consistent returns while reducing portfolio volatility.

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 2024 tax levy reflected an excess capacity of \$8,012.

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Property taxes and excises receivable at June 30, 2024, consisted of the following:

| Receivable Type | Total Amount | Current Portion | Long-Term Portion |
|-------------------------|---------------------|---------------------|----------------------|
| Property taxes | | | |
| Real estate taxes | \$ 1,244,888 | \$ 1,244,888 | \$ -- |
| Personal property taxes | 278,573 | 278,573 | -- |
| Tax liens | 2,527,879 | -- | 2,527,879 |
| Demo tax title | 470,870 | -- | 470,870 |
| Demo liens | <u>34,098</u> | <u>--</u> | <u>34,098</u> |
| | <u>\$ 4,556,308</u> | <u>\$ 1,523,461</u> | <u>\$ 3,032,847</u> |
| Motor vehicle excise | <u>\$ 1,988,522</u> | <u>\$ 1,988,522</u> | <u>\$ --</u> |

NOTE 7 - USER FEES RECEIVABLE

Receivables for user fees at June 30, 2024, consisted of the following:

| Receivable Type | Amount |
|-----------------|---------------------|
| Water | \$ 2,185,969 |
| Sewer | <u>4,276,078</u> |
| | <u>\$ 6,462,047</u> |

The City has elected not to establish an allowance for uncollectible receivables for the fiscal year ended June 30, 2024. This decision is based on historical collection rates and management's assessment that the current receivables are fully collectible.

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2024.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, consisted of the following:

| Loan Type | Loan Balances |
|---------------------------------|---------------------|
| CDBG - consumer loans | \$ 183,728 |
| CDBG - mortgage/financing loans | 192,489 |
| HOME - mortgage/financing loans | <u>952,439</u> |
| | <u>\$ 1,328,656</u> |

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 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 | 117,705 | 666 | (98) | -- | 118,273 |
| Machinery, equipment, and furnishings | 32,113 | 937 | (980) | -- | 32,070 |
| Infrastructure | <u>83,591</u> | <u>702</u> | <u>(1,637)</u> | <u>155</u> | <u>82,811</u> |
| Total Capital Assets, Being Depreciated | <u>263,581</u> | <u>2,305</u> | <u>(2,715)</u> | <u>155</u> | <u>263,326</u> |
| Less Accumulated Depreciation For: | | | | | |
| Land improvements | (9,057) | (1,169) | -- | -- | (10,226) |
| Buildings and improvements | (59,861) | (3,323) | -- | -- | (63,184) |
| Machinery, equipment, and furnishings | (25,461) | (1,645) | 976 | -- | (26,130) |
| Infrastructure | <u>(52,570)</u> | <u>(1,271)</u> | <u>1,696</u> | <u>--</u> | <u>(52,145)</u> |
| Total Accumulated Depreciation | <u>(146,949)</u> | <u>(7,408)</u> | <u>2,672</u> | <u>--</u> | <u>(151,685)</u> |
| Capital Assets, Being Depreciated, Net | <u>116,632</u> | <u>(5,103)</u> | <u>(43)</u> | <u>155</u> | <u>111,641</u> |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | 6,805 | 493 | (167) | -- | 7,131 |
| Construction in progress (CIP) | <u>16,158</u> | <u>41,352</u> | <u>--</u> | <u>(155)</u> | <u>57,355</u> |
| Total Capital Assets, Not Being Depreciated | <u>22,963</u> | <u>41,845</u> | <u>(167)</u> | <u>(155)</u> | <u>64,486</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 139,595</u> | <u>\$ 36,742</u> | <u>\$ (210)</u> | <u>\$ --</u> | <u>\$ 176,127</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|--------------------------|------------------------|----------------------|--------------------------|
| Business-Type Activities | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and improvements | \$ 138,914 | \$ 97 | \$ -- | \$ 139,011 |
| Machinery, equipment, and furnishings | 11,747 | 502 | (109) | 12,140 |
| Infrastructure | <u>74,472</u> | <u>127</u> | <u>(1)</u> | <u>74,598</u> |
| Total Capital Assets, Being Depreciated | <u>225,133</u> | <u>726</u> | <u>(110)</u> | <u>225,749</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and improvements | (71,340) | (3,473) | -- | -- |
| Machinery, equipment, and furnishings | (7,318) | (554) | 108 | (7,764) |
| Infrastructure | <u>(25,069)</u> | <u>(1,028)</u> | <u>1</u> | <u>(26,096)</u> |
| Total Accumulated Depreciation | <u>(103,727)</u> | <u>(5,055)</u> | <u>109</u> | <u>--</u> |
| Capital Assets, Being Depreciated, Net | <u>121,406</u> | <u>(4,329)</u> | <u>(1)</u> | <u>117,076</u> |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | 2,220 | -- | -- | 2,220 |
| Construction in progress (CIP) | <u>16,822</u> | <u>10,497</u> | <u>--</u> | <u>27,319</u> |
| Total Capital Assets, Not Being Depreciated | <u>19,042</u> | <u>10,497</u> | <u>--</u> | <u>29,539</u> |
| Business-Type Activities Capital Assets, Net | <u><u>\$ 140,448</u></u> | <u><u>\$ 6,168</u></u> | <u><u>\$ (1)</u></u> | <u><u>\$ 146,615</u></u> |

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

Governmental Activities

| | |
|------------------------|------------------------|
| General government | \$ 718 |
| Public safety | 732 |
| Education | 2,168 |
| Public works | 3,257 |
| Human services | 104 |
| Culture and recreation | <u>429</u> |
| | <u><u>\$ 7,408</u></u> |

Business-Type Activities

| | |
|-------|------------------------|
| Water | \$ 2,187 |
| Sewer | <u>2,868</u> |
| | <u><u>\$ 5,055</u></u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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. Unearned revenues in the General Fund represents funds uses to supplement the fiscal year 2025 budget, these funds were transferred into the General Fund from the ARPA fund.

NOTE 13 - NOTES PAYABLE

The City had the following notes outstanding at June 30, 2024:

| Purpose | Interest Rate(s) % | Date of Issue | Date of Maturity | Balance at June 30, 2024 |
|--|-----------------------|------------------|---------------------|-----------------------------|
| General Bond Anticipation Note | 4.25% | 06/21/24 | 06/20/25 | \$ 3,600,000 |
| MA Clean Water Trust interim note CWP 22-58 | 0.00% | 05/03/24 | interim | 3,485,975 |
| MA Clean Water Trust interim note CWP 22-28A | 0.00% | 05/03/24 | interim | <u>892,571</u> |
| | | | | <u>\$ 7,978,546</u> |

The following summarizes activity in notes payable during fiscal year 2024:

| Purpose | Balance Beginning of Year | New Issues | Maturities | Balance End of Year |
|------------------------------------|---------------------------------|---------------------|-----------------------|---------------------------|
| General Bond Anticipation Note | \$ -- | \$ 3,600,000 | \$ -- | \$ 3,600,000 |
| MA Clean Water Trust interim notes | <u>1,686,099</u> | <u>4,378,546</u> | <u>(1,686,099)</u> | <u>4,378,546</u> |
| | <u>\$ 1,686,099</u> | <u>\$ 7,978,546</u> | <u>\$ (1,686,099)</u> | <u>\$ 7,978,546</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024:

| Purpose | Serial Maturities Through | Interest Rate(s) % | Amount Outstanding as of June 30, 2024 |
|---|---------------------------------|-----------------------|---|
| Governmental Activities | | | |
| <i>General Obligation Bonds</i> | | | |
| Multi-purpose (2019) | 06/01/29 | 5.0% | \$ 625,000 |
| Multi-purpose (2020) | 06/01/40 | 2.0% - 5.0% | 10,830,000 |
| Multi-purpose (2021) | 03/01/41 | 2.0% - 5.0% | 6,110,000 |
| Multi-purpose (2023) | 05/01/43 | 4.0% - 5.0% | <u>13,815,000</u> |
| | | | 31,380,000 |
| <i>Financing Agreements</i> | | | |
| Streetlight fixtures | 11/14/24 | 2.58% | <u>101,306</u> |
| | | | <u><u>\$ 31,481,306</u></u> |
| Business-Type Activities | | | |
| <i>General Obligation Bonds</i> | | | |
| General obligation 2021 - sewer portion | 03/01/26 | 5.0% | \$ 75,000 |
| General obligation 2016 - sewer portion | 06/30/26 | 2.0% - 4.0% | 570,000 |
| 2016 refunding - sewer portion | 06/30/28 | 2.0% - 4.0% | 1,310,000 |
| General obligation 2021 - sewer portion | 03/01/31 | 3.0% - 5.0% | 1,012,500 |
| General obligation 2011 - sewer portion | 06/15/31 | 3.0% - 4.0% | 700,000 |
| General obligation 2013 - water portion | 06/15/33 | 3.0% - 3.5% | 765,000 |
| General obligation 2013 - sewer portion | 06/15/33 | 3.0% - 3.5% | 855,000 |
| General obligation 2019 - water portion | 06/01/39 | 3.0% - 5.0% | 1,695,000 |
| General obligation 2019 - sewer portion | 06/01/39 | 3.0% - 5.0% | 775,000 |
| General obligation 2020 - water portion | 06/01/40 | 2.0% - 5.0% | 1,012,500 |
| General obligation 2023 - water portion | 05/01/43 | 4.0% - 5.0% | 3,715,000 |
| General obligation 2023 - sewer portion | 05/01/43 | 4.0% - 5.0% | <u>2,785,000</u> |
| | | | <u>15,270,000</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

| Purpose | Serial Maturities Through | Interest Rate(s) % | Amount Outstanding as of June 30, 2024 |
|-------------------------------------|---------------------------------|-----------------------|---|
| Business-Type Activities | | | |
| <i>Loans From Direct Borrowings</i> | | | |
| Water treatment (MCWT 00-10A) | 08/01/24 | 1.0% - 2.0% | 390,000 |
| Sewer inflow (MCWT 03-12) | 08/01/24 | 2.0% | 45,000 |
| Water treatment (MCWT 01-16) | 07/15/25 | 0.0% | 935,057 |
| Sewer (MCWT 03-12A) | 07/15/25 | 2.0% | 743,033 |
| Sewer (MCWT 03-12B) | 07/15/26 | 2.0% | 287,820 |
| Sewer (MCWT 08-03) | 07/15/28 | 2.0% | 2,115,811 |
| Sewer (MCWT 08-03A) | 07/15/30 | 2.0% | 386,769 |
| Sewer (MCWT 03-12C) | 07/15/30 | 2.0% | 128,787 |
| Sewer (MCWT 12-01) | 07/15/35 | 2.0% | 3,360,162 |
| Sewer (MCWT 12-02) | 07/15/35 | 2.0% | 4,304,853 |
| Sewer (MCWT 12-01A) | 07/15/36 | 2.0% | 469,414 |
| Sewer (MCWT 13-01) | 07/15/36 | 2.0% | 8,606,399 |
| Sewer (MCWT 13-01A) | 01/15/37 | 2.0% | 847,301 |
| Sewer (MCWT 16-05) | 07/15/38 | 2.0% | 1,516,661 |
| Sewer (MCWT 16-10) | 07/15/38 | 2.0% | 7,112,582 |
| Sewer (MCWT 16-10A) | 07/15/39 | 2.0% | 9,339,815 |
| Sewer (MCWT 16-10B) | 01/15/41 | 2.0% | 1,481,323 |
| Sewer (MCWT 20-03) | 01/15/43 | 2.0% | 6,482,776 |
| Sewer (MCWT 20-03A) | 01/15/43 | 2.0% | 1,011,528 |
| Sewer (MCWT 21-07) | 01/15/44 | 2.0% | 1,048,700 |
| Water (DPW 22-40) | 01/15/44 | 2.0% | 1,986,600 |
| | | | 52,600,391 |
| | | | \$ 67,870,391 |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FUTURE DEBT SERVICE

The annual payments to retire all long-term debt outstanding as of June 30, 2024, were as follows:

| Governmental Activities | Bonds-Direct Placements | | | Financing Agreements | | |
|------------------------------------|--------------------------------|----------------------|----------------------|-----------------------------|-----------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| Year | | | | | | |
| 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 | 1,880,000 | 854,994 | 2,734,994 | -- | -- | -- |
| 2029 - 2033 | 8,755,000 | 3,087,770 | 11,842,770 | -- | -- | -- |
| 2034 - 2038 | 8,710,000 | 1,566,132 | 10,276,132 | -- | -- | -- |
| Thereafter | 4,245,000 | 325,200 | 4,570,200 | -- | -- | -- |
| | <u>\$ 31,380,000</u> | <u>\$ 10,190,172</u> | <u>\$ 41,570,172</u> | <u>\$ 101,306</u> | <u>\$ 2,816</u> | <u>\$ 104,122</u> |

| Business-Type Activities | Bonds-Direct Placements | | | Loans from Direct Borrowings | | |
|-------------------------------------|--------------------------------|---------------------|----------------------|-------------------------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| Year | | | | | | |
| 2025 | \$ 1,985,000 | \$ 646,148 | \$ 2,631,148 | \$ 4,697,374 | \$ 1,014,503 | \$ 5,711,877 |
| 2026 | 1,970,000 | 557,800 | 2,527,800 | 4,343,404 | 929,062 | 5,272,466 |
| 2027 | 1,650,000 | 477,398 | 2,127,398 | 3,575,814 | 854,957 | 4,430,771 |
| 2028 | 1,635,000 | 408,398 | 2,043,398 | 3,552,762 | 784,093 | 4,336,855 |
| 2029 | 1,315,000 | 343,900 | 1,658,900 | 3,629,187 | 712,709 | 4,341,896 |
| 2029 - 2033 | 3,955,000 | 1,009,567 | 4,964,567 | 16,769,023 | 2,557,938 | 19,326,961 |
| 2034 - 2038 | 1,895,000 | 397,900 | 2,292,900 | 12,419,882 | 965,499 | 13,385,381 |
| Thereafter | 865,000 | 86,200 | 951,200 | 3,612,945 | 159,897 | 3,772,842 |
| | <u>\$ 15,270,000</u> | <u>\$ 3,927,311</u> | <u>\$ 19,197,311</u> | <u>\$ 52,600,391</u> | <u>\$ 7,978,658</u> | <u>\$ 60,579,049</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2024, 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 | \$ 33,464 | \$ -- | \$ (2,084) | \$ 31,380 | \$ (2,015) | \$ 29,365 |
| Unamortized bond premium | 3,368 | -- | (201) | 3,167 | (197) | 2,970 |
| Financing agreements | 200 | -- | (99) | 101 | (101) | -- |
| Subtotal | 37,032 | -- | (2,384) | 34,648 | (2,313) | 32,335 |
| Net pension liability | 125,975 | 1,412 | -- | 127,387 | -- | 127,387 |
| Net OPEB liability | 130,989 | 13,417 | -- | 144,406 | -- | 144,406 |
| Compensated absences liability | 3,733 | -- | (244) | 3,489 | -- | 3,489 |
| | <u>\$ 297,729</u> | <u>\$ 14,829</u> | <u>\$ (2,628)</u> | <u>\$ 309,930</u> | <u>\$ (2,313)</u> | <u>\$ 307,617</u> |
| Business-Type Activities | | | | | | |
| Bonds payable - direct placements | \$ 17,261 | \$ -- | \$ (1,992) | \$ 15,269 | \$ (1,985) | \$ 13,284 |
| Unamortized bond premium | 1,166 | -- | (127) | 1,039 | (127) | 912 |
| Loans from direct borrowings | 54,052 | 3,036 | (4,488) | 52,600 | (4,697) | 47,903 |
| Subtotal | 72,479 | 3,036 | (6,607) | 68,908 | (6,809) | 62,099 |
| Net pension liability | 11,808 | 1,084 | -- | 12,892 | -- | 12,892 |
| Net OPEB liability | 7,385 | -- | (4,227) | 3,158 | -- | 3,158 |
| Compensated absences liability | 377 | 55 | -- | 432 | -- | 432 |
| | <u>\$ 92,049</u> | <u>\$ 4,175</u> | <u>\$ (10,834)</u> | <u>\$ 85,390</u> | <u>\$ (6,809)</u> | <u>\$ 78,581</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, 2024

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 2024, to be applied to invoices during the months of July and August 2024.

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, 2024 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|-----------------------|
| Governmental Funds | | |
| General Fund | \$ 1,238,517 | \$ (305,704) |
| Capital Project Fund | 2,377,633 | -- |
| Nonmajor Governmental Funds: | | |
| Special revenue funds | <u>305,704</u> | <u>(3,616,150)</u> |
| Total Governmental Funds | <u>\$ 3,921,854</u> | <u>\$ (3,921,854)</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 17 - GOVERNMENTAL FUNDS - FUND BALANCES

The City's fund balances at June 30, 2024, were comprised of the following:

| | General Fund | ARPA Fund | Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------|---------------------|---------------------|----------------------------|-----------------------------------|--------------------------------|
| Nonspendable | | | | | |
| Permanent funds | \$ -- | \$ -- | \$ -- | \$ 2,479,840 | \$ 2,479,840 |
| Total Nonspendable | <u>--</u> | <u>--</u> | <u>--</u> | <u>2,479,840</u> | <u>2,479,840</u> |
| Restricted | | | | | |
| Bonded projects | -- | -- | 12,190,655 | -- | 12,190,655 |
| Special revenue funds | -- | 1,525,869 | -- | 15,928,005 | 17,453,874 |
| Permanent funds | <u>--</u> | <u>--</u> | <u>--</u> | <u>3,098,619</u> | <u>3,098,619</u> |
| Total Restricted | <u>--</u> | <u>1,525,869</u> | <u>12,190,655</u> | <u>19,026,624</u> | <u>32,743,148</u> |
| Assigned | | | | | |
| Encumbrances: | | | | | |
| General government | 1,018,388 | -- | -- | -- | 1,018,388 |
| Public safety | 43,714 | -- | -- | -- | 43,714 |
| Education | 312,850 | -- | -- | -- | 312,850 |
| Public works | 3,955,533 | -- | -- | -- | 3,955,533 |
| Health and human services | 15,522 | -- | -- | -- | 15,522 |
| Culture and recreation | 583,937 | -- | -- | -- | 583,937 |
| Miscellaneous | 59,750 | -- | -- | -- | 59,750 |
| Reserved for expenditures: | | | | | |
| Operating budget | <u>5,703,292</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>5,703,292</u> |
| Total Assigned | <u>11,692,986</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>11,692,986</u> |
| Unassigned | | | | | |
| General Fund | 7,518,195 | -- | -- | -- | 7,518,195 |
| General stabilization fund * | 9,829,368 | -- | -- | -- | 9,829,368 |
| Deficit funds | <u>--</u> | <u>--</u> | <u>(2,795,216)</u> | <u>(3,867,111)</u> | <u>(6,662,327)</u> |
| Total Unassigned | <u>17,347,563</u> | <u>--</u> | <u>(2,795,216)</u> | <u>(3,867,111)</u> | <u>10,685,236</u> |
| Total Fund Balances | <u>\$29,040,549</u> | <u>\$ 1,525,869</u> | <u>\$ 9,395,439</u> | <u>\$17,639,353</u> | <u>\$57,601,210</u> |

*MGL, Chapter 40, Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a 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, 2024

NOTE 18 - NET POSITION

Restricted Net Position

The City's restricted net position for governmental activities at June 30, 2024, was comprised of the following:

| Purpose | Amount |
|---------------------------|----------------------|
| ARPA | \$ 1,525,869 |
| CDBG | 1,712,059 |
| City grant | |
| General government | 1,329,255 |
| Public safety | 443,716 |
| Public works | 109,732 |
| Health and human services | 481,122 |
| Culture and recreation | 281,791 |
| City gifts | |
| General government | 763 |
| Public safety | 119,577 |
| Public works | 288,310 |
| Culture and recreation | 9,864 |
| City revolving | |
| General government | 764,515 |
| Public safety | 378,782 |
| Public works | 75,424 |
| Health and human services | 483,509 |
| Culture and recreation | 117,708 |
| City other | |
| General government | 1,275,799 |
| Public safety | 12,155 |
| Public works | 263,818 |
| Health and human services | 596,338 |
| Miscellaneous | 25,259 |
| School revolving | 7,355,657 |
| School grants | 2,005,066 |
| Airport | 219,490 |
| Nonexpendable | 2,479,840 |
| Expendable | <u>3,098,619</u> |
| | <u>\$ 25,454,037</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Negative Unrestricted Net Position

As of June 30, 2024, the City has reported a negative unrestricted net position of \$(248,881,588) on the Statement of Net Position. This deficit is primarily attributable to the recognition of significant unfunded pension and other post-employment-benefits (“OPEB”) liabilities. Information about the pension and OPEB liabilities, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes.

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 2024, was approximately \$950,000.

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, 2026, provides annual guaranteed revenue to the City of \$540,000.

NOTE 20 - FITCHBURG CONTRIBUTORY RETIREMENT SYSTEM

The City follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* with respect to employees’ retirement funds.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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 MGL 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.

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.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of MGL. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012, and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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, 2024

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member’s death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The City’s contribution to the System for the year ended June 30, 2024, was \$16,279,181, which was equal to its annual required contribution.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, the City reported a liability of approximately \$140.3 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. 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, 2024, the City's proportion was 95.37%, which was an increase of 0.19% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the City recognized pension expense of approximately \$12 million. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 13,210,056 | \$ (11,084) |
| Changes of assumptions | 25,077 | (315,072) |
| Changes in proportion and differences between contributions and proportionate share of contributions | -- | (457,077) |
| Net difference between projected and actual earnings on pension plan investments | <u>6,041,216</u> | <u>--</u> |
| | <u>\$ 19,276,349</u> | <u>\$ (783,233)</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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 |
|---------------------|----------------------|
| 2025 | \$ 3,511,615 |
| 2026 | 4,901,816 |
| 2027 | 7,923,214 |
| 2028 | 1,614,806 |
| 2029 | 541,665 |
| | <u>\$ 18,493,116</u> |

ACTUARIAL ASSUMPTIONS

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

| | |
|---|--|
| Valuation date | January 1, 2024 |
| Actuarial cost method | Entry age normal |
| Remaining amortization period | 9 years |
| Actuarial assumptions: | |
| Discount rate/investment rate of return | 7.00% |
| Projected salary increases | |
| Group 1 and 2 | 4.75% for years 1-20; 3% for all other years |
| Fire | 15.75% in year 1, 9.75% in year 2, 10.25% in year 25, 2.75% in all other years |
| Police | 7.3% in year 1, 8.0% in year 2, 10.25% in year 25, 2.75% all other years |
| Inflation rate | 2.60% |
| Post-retirement cost-of-living adjustment | 3% on first \$14,000 |

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Mortality rates were based on the following:

Pre-retirement and beneficiary mortality: Rates reflect the RP-2014 employees table projected generationally using MP-2021 and a base year of 2006 (gender distinct). Post retirement rates reflected the healthy annuitant table.

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

TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|-------------------------------|---|
| U.S. equity | 24.10% | 4.19% |
| International equities | 10.80% | 3.90% |
| Emerging equities | 4.40% | 6.43% |
| Core bonds | 13.60% | 2.24% |
| Value-added fixed income | 7.30% | 5.07% |
| Private equity | 17.10% | 7.41% |
| Real estate | 10.30% | 3.90% |
| Timberland | 3.20% | 4.39% |
| Portfolio completion (PCS) | 8.50% | 3.70% |
| Overlay | 0.70% | 0.00% |
| | <u>100.00%</u> | |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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:

| 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---------------------------|--|---------------------------|
| \$ 173,180,996 | \$ 140,278,590 | \$ 112,465,356 |

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.

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*. The 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

The MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. 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, 2024

CONTRIBUTIONS

Member contributions for MTRS vary depending on the most recent date of membership:

| Membership Date | % of Compensation |
|---------------------|---|
| 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 by 3% after achieving 30 years of creditable service.

ACTUARIAL ASSUMPTIONS

The net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023. 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 group and 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-2021 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2023, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|----------------------|---|
| Global equity | 37.00% | 4.90% |
| Core fixed income | 15.00% | 1.90% |
| Private equity | 16.00% | 7.40% |
| Portfolio completion strategies | 10.00% | 3.80% |
| Real estate | 10.00% | 3.00% |
| Value added fixed income | 8.00% | 5.10% |
| Timber/natural resources | 4.00% | 4.30% |
| | <u>100.00%</u> | |

DISCOUNT RATE

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

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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%) |
|---------------------------|--|---------------------------|
| \$ 33,378,000 | \$ 26,290,271 | \$ 20,292,000 |

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 PROPORTIONS

In fiscal year 2023 (the most recent measurement period), the City’s proportionate share of the MTRS’ collective net pension liability was approximately \$138.5 million based on a proportionate share of 0.53%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts’ contribution of approximately \$11.3 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 \$12.9 million as both a revenue and expense on the Statement of Activities.

NOTE 22 - OTHER POST-EMPLOYMENT BENEFITS

The City follows GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“OPEB”). 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The City also follows GASB Statement No. 75, *Accounting and Financial Reporting 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, 2024.

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 BlueCross BlueShield and MEDEX plans. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of MGL.

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, 2024, 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/> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

INVESTMENTS

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

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The net OPEB liability was determined by an actuarial valuation as of July 1, 2023, rolled forward to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---------------------------|
| Inflation | 2.25% |
| Salary increases | 3.00% |
| Discount rate/municipal bond rate | 3.93% |
| 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, are summarized in the following table.

| Asset Class | Target Asset Allocation* | Long-Term Expected Real Rate of Return |
|--------------------------|--------------------------------|---|
| Domestic equity | 25.30% | 6.90% |
| International equity | 10.70% | 6.60% |
| Emerging markets equity | 4.40% | 9.20% |
| Core fixed income | 13.90% | 4.90% |
| Value-added fixed income | 7.30% | 7.80% |
| Private equity | 17.00% | 10.20% |
| Real estate | 9.60% | 6.60% |
| Timberland | 3.00% | 7.10% |
| Hedge funds | 8.30% | 6.40% |
| Overlay | 0.30% | 0.00% |
| | <u>99.80%</u> | |

* Total may not add due to rounding.

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 3.93% was used based on an index provided by S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2024. 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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2024, were as follows:

| | |
|--|------------------------------|
| Total OPEB liability | \$ 150,789,843 |
| Plan fiduciary net position | <u>(3,225,724)</u> |
| Net OPEB liability | <u><u>\$ 147,564,119</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.14% |

CHANGES IN THE NET OPEB LIABILITY

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

| | Increase (Decrease) | | |
|---|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances, Beginning of Year | \$ 141,087,625 | \$ 2,712,888 | \$ 138,374,737 |
| Changes for the Year: | | | |
| Service cost | 11,878,198 | -- | 11,878,198 |
| Interest | 5,725,858 | -- | 5,725,858 |
| Contributions - employer | -- | 5,144,005 | (5,144,005) |
| Net investment income | -- | 262,836 | (262,836) |
| Differences between expected and actual experience | (6,601,422) | -- | (6,601,422) |
| Changes of assumptions | 3,593,589 | -- | 3,593,589 |
| Benefit payments | <u>(4,894,005)</u> | <u>(4,894,005)</u> | <u>--</u> |
| Net Changes | <u>9,702,218</u> | <u>512,836</u> | <u>9,189,382</u> |
| Balances, End of Year | <u><u>\$ 150,789,843</u></u> | <u><u>\$ 3,225,724</u></u> | <u><u>\$ 147,564,119</u></u> |

Changes of assumptions reflects a change in the discount rate from 4.13% in 2023 to 3.93% in 2024.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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:

| 1% Decrease (2.93%) | Current Discount Rate (3.93%) | 1% Increase (4.93%) |
|---------------------------|--|---------------------------|
| \$ 167,802,353 | \$ 147,564,119 | \$ 130,879,525 |

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:

| 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%) |
|--|---|--|
| \$ 125,588,151 | \$ 147,564,119 | \$ 175,654,766 |

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

For the year ended June 30, 2024, the City recognized an OPEB expense of approximately \$10.9 million. At June 30, 2024, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 6,367,728 | \$ (14,984,954) |
| Changes of assumptions | 13,131,836 | (43,390,325) |
| Net difference between projected and actual OPEB investment earnings | -- | (288,723) |
| | <u>\$ 19,499,564</u> | <u>\$ (58,664,002)</u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

| Year Ended June 30, | Amount |
|---------------------|-------------------------------|
| 2025 | \$ (6,736,402) |
| 2026 | (7,368,844) |
| 2027 | (7,950,146) |
| 2028 | (8,302,283) |
| 2029 | (8,268,589) |
| Thereafter | <u>(538,174)</u> |
| | <u><u>\$ (39,164,438)</u></u> |

NOTE 23 - CONSOLIDATION OF PENSION AND OPEB TRUST FUND

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

| | Pension Trust Fund (December 31, 2023) | Other Post-Employer Benefits Trust Fund | Pension and OPEB Trust Fund |
|---|---|--|-----------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,462,118 | \$ -- | \$ 1,462,118 |
| Investments in external investment pools | 172,174,836 | 3,225,724 | 175,400,560 |
| Accounts receivable | <u>359,089</u> | <u>--</u> | <u>359,089</u> |
| Total Assets | <u>173,996,043</u> | <u>3,225,724</u> | <u>177,221,767</u> |
| Liabilities | | | |
| Accounts payable | <u>11,415</u> | <u>--</u> | <u>11,415</u> |
| Net Position | | | |
| Restricted for pension | 173,984,628 | -- | 173,984,628 |
| Restricted for OPEB | <u>--</u> | <u>3,225,724</u> | <u>3,225,724</u> |
| Total Net Position | <u><u>\$ 173,984,628</u></u> | <u><u>\$ 3,225,724</u></u> | <u><u>\$ 177,210,352</u></u> |

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

| | Pension Trust Fund (December 31, 2022) | Other Post-Employer Benefits Trust Fund | Pension and OPEB Trust Fund |
|---|---|--|-----------------------------------|
| Additions | | | |
| Contributions | | | |
| Employer | \$ 17,069,499 | \$ 5,144,005 | \$ 22,213,504 |
| Plan members | 4,680,989 | -- | 4,680,989 |
| Other systems and Commonwealth of Massachusetts | 379,626 | -- | 379,626 |
| Other | 5,294 | -- | 5,294 |
| Total Contributions | <u>22,135,408</u> | <u>5,144,005</u> | <u>27,279,413</u> |
| Investment Income | | | |
| Increase in fair value of investments | 17,582,874 | 262,836 | 17,845,710 |
| Less: Management fees | (829,459) | -- | (829,459) |
| Net Investment Income | <u>16,753,415</u> | <u>262,836</u> | <u>17,016,251</u> |
| Total Additions | <u>38,888,823</u> | <u>5,406,841</u> | <u>44,295,664</u> |
| Deductions | | | |
| Benefit payments to plan members and beneficiaries | 21,118,007 | 4,894,005 | 26,012,012 |
| Refunds to plan members | 428,736 | -- | 428,736 |
| Transfers to other systems | 699,975 | -- | 699,975 |
| Administrative expenses | 293,964 | -- | 293,964 |
| Total Deductions | <u>22,540,682</u> | <u>4,894,005</u> | <u>27,434,687</u> |
| Change in Net Position | 16,348,141 | 512,836 | 16,860,977 |
| Restricted Net Position | | | |
| Beginning of year | <u>157,636,487</u> | <u>2,712,888</u> | <u>160,349,375</u> |
| End of year | <u>\$ 173,984,628</u> | <u>\$ 3,225,724</u> | <u>\$ 177,210,352</u> |

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.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, were as follows:

| | |
|---|---------------------|
| Claims liability, beginning of year | \$ 1,694,405 |
| Claims incurred/recognized in fiscal year 2024 | 26,290,149 |
| Claims paid in fiscal year 2024 | <u>(26,429,128)</u> |
| Claims liability, end of year | <u>\$ 1,555,426</u> |

NOTE 25 - COMMITMENTS AND CONTINGENCIES

LITIGATION

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.

Due to the federal government's review and potential restructuring of federal funding priorities, there is uncertainty regarding the continuation and amount of future funding from federal sources. The City is monitoring policy developments and may need to explore alternative funding sources to mitigate potential impacts. The City's total federal expenditures in fiscal year 2024 was approximately \$28 million.

CITY OF FITCHBURG, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

WASTEWATER CONSENT DECREE (CD), WASTEWATER NPDES PERMIT, AND RELATED POTENTIAL LIABILITIES

The City signed the final Consent Decree with the Environmental Protection Agency (originally issued on June 1, 2012) related to combined sewer separation, overflow and inflow/infiltration environmental issues, 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, 2024, the City has incurred approximately \$98.83 million of engineering and construction costs related to consent decree projects (2012 to present), \$79.41 million of which was funded through the Massachusetts Clean Water Trust.

ENCUMBRANCES

At year-end, the City's General Fund had \$7,989,694 in encumbrances that will be honored in the next fiscal year.

NOTE 26 - SUBSEQUENT EVENTS

DEBT

Subsequent to June 30, 2024, the City has issued the following short-term notes through the Massachusetts Clean Water Trust:

| Purpose | Amount | Interest Rate | Issue Date | Maturity Date |
|--|---------------|---------------|------------|---------------|
| MA Clean Water Trust - interim note CWP 23-34 | \$ 24,210,362 | 0.00% | 03/05/25 | interim |
| MA Clean Water Trust - interim note DWP 23-34A | \$ 3,495,000 | 0.00% | 03/05/25 | interim |

CITY OF FITCHBURG, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2024

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|---------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues | | | | |
| Property taxes | \$ 64,437,686 | \$ 64,437,686 | \$ 64,418,613 | \$ (19,073) |
| Excises | 4,901,354 | 4,901,354 | 5,367,965 | 466,611 |
| Penalties, interest, and other taxes | 825,000 | 825,000 | 940,092 | 115,092 |
| Charges for services | 5,378,000 | 5,378,000 | 5,810,463 | 432,463 |
| Intergovernmental | 88,808,583 | 88,808,583 | 88,988,875 | 180,292 |
| Licenses and permits | 1,020,000 | 1,020,000 | 1,306,412 | 286,412 |
| Fines and forfeitures | 135,000 | 135,000 | 171,716 | 36,716 |
| Investment income | 10,000 | 10,000 | 1,239,280 | 1,229,280 |
| Miscellaneous | 802,000 | 802,000 | 1,499,577 | 697,577 |
| Total Revenues | <u>166,317,623</u> | <u>166,317,623</u> | <u>169,742,993</u> | <u>3,425,370</u> |
| Expenditures | | | | |
| General government | 7,679,834 | 8,342,265 | 8,050,368 | 291,897 |
| Public safety | 18,050,302 | 18,050,302 | 17,382,976 | 667,326 |
| Education | 81,727,115 | 82,759,545 | 82,695,206 | 64,339 |
| Public works | 5,343,105 | 6,249,694 | 6,022,148 | 227,546 |
| Health and human services | 4,078,231 | 4,078,231 | 3,999,073 | 79,158 |
| Culture and recreation | 1,969,087 | 2,119,087 | 1,965,638 | 153,449 |
| Employee benefits | 36,422,193 | 38,574,193 | 38,262,935 | 311,258 |
| Miscellaneous | 1,563,483 | 1,563,483 | 1,495,384 | 68,099 |
| Debt service | 3,445,035 | 3,445,035 | 3,440,250 | 4,785 |
| Intergovernmental | 8,469,216 | 8,469,216 | 7,483,679 | 985,537 |
| Total Expenditures | <u>168,747,601</u> | <u>173,651,051</u> | <u>170,797,657</u> | <u>2,853,394</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(2,429,978)</u> | <u>(7,333,428)</u> | <u>(1,054,664)</u> | <u>6,278,764</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 429,978 | 1,021,998 | 1,238,517 | 216,519 |
| Transfers out | -- | (1,155,704) | (1,155,704) | -- |
| Use of free cash: | | | | |
| Operating budget and capital items | 1,300,000 | 5,361,430 | -- | (5,361,430) |
| Contribution to OPEB trust fund | -- | 250,000 | -- | (250,000) |
| Transfer to stabilization fund | -- | 1,155,704 | -- | (1,155,704) |
| Overlay surplus | 700,000 | 700,000 | -- | (700,000) |
| Total Other Financing Sources (Uses) | <u>2,429,978</u> | <u>7,333,428</u> | <u>82,813</u> | <u>(7,250,615)</u> |
| Overall Budgetary Deficit | <u>\$ --</u> | <u>\$ --</u> | <u>\$ (971,851)</u> | <u>\$ (971,851)</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, 2024

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. The City's budget is prepared on a budgetary basis of accounting. Under the budgetary basis, the City recognizes revenues when they are measurable and available, and expenditures are recognized when the liability is incurred. Encumbrances are recorded as expenditures for budgetary purposes.

The City's budget is voted by function by City Council orders.

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 | 180,752,597 | 183,995,066 | (932,813) |
| Remove the effect of adding the City's stabilization fund per GASB 54 | (391,919) | -- | 850,000 |
| Reverse beginning of year appropriation carry- forwards from expenditures | -- | (10,569,418) | -- |
| Add end of year appropriation carryforwards to expenditures | -- | 7,989,694 | -- |
| Reverse the effect of grant reimbursements for indirect costs | 700,000 | 700,000 | -- |
| Reverse the effect of non-budgeted State contributions for teachers retirement | <u>(11,317,685)</u> | <u>(11,317,685)</u> | <u>--</u> |
| Budgetary Basis | <u>\$ 169,742,993</u> | <u>\$ 170,797,657</u> | <u>\$ (82,813)</u> |

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY *(Dollars expressed in thousands) (For the past ten years)*

| 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 as a Percentage of the Total Pension Liability |
| June 30, 2024 | December 31, 2023 | 95.37% | \$ 140,279 | \$ 40,559 | 345.9% | 54.19% |
| 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% |

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED) *(Dollars expressed in thousands) (For the past ten years)*

| 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, 2024 | June 30, 2023 | 0.53% | \$ -- | \$ 138,478 | \$ 138,478 | \$ 45,480 | \$ -- | | 58.48% |
| 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% |

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars expressed in thousands) (For the past ten years)

Fitchburg Contributory Retirement System

| Fiscal Year | Measurement Date | Contributions in Relation to the | | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------|---------------------|---|---|--|--------------------|--|
| | | Actuarially Determined Contribution | Actuarially Determined Contribution | | | |
| June 30, 2024 | December 31, 2023 | \$ 16,279 | \$ 16,279 | \$ -- | \$ 40,559 | 40.14% |
| 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% |

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

(Dollars expressed in thousands) (For the past ten years)

| 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, 2024 | June 30, 2023 | \$ 11,318 | \$ 11,318 | \$ -- | \$ 45,480 | 24.89% | |
| 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% | |

See independent auditors' report.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (Dollars expressed in thousands)

| | 2023 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | | | | |
| Service cost | \$ 11,878 | \$ 4,893 | \$ 8,052 | \$ 7,076 | \$ 6,654 | \$ 5,936 | \$ 5,828 | \$ 5,434 |
| Interest | 5,726 | 5,624 | 4,162 | 4,875 | 4,826 | 4,836 | 4,747 | 4,868 |
| Differences between expected and actual experience | (6,601) | 8,497 | (6,996) | (10,743) | (3) | (314) | 4,697 | -- |
| Changes of assumptions | 3,593 | (12,500) | (55,139) | 13,535 | 3,838 | 5,305 | -- | -- |
| Benefit payments | <u>(4,894)</u> | <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 | 9,702 | 668 | (55,057) | 9,708 | 10,271 | 10,689 | 9,805 | 4,890 |
| Total OPEB Liability - Beginning | <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> | <u>150,114</u> |
| Total OPEB Liability - Ending (a) | <u>150,790</u> | <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 | 5,144 | 6,096 | 5,586 | 5,085 | 5,294 | 5,324 | 5,717 | 5,712 |
| Net investment income (loss) | 275 | 139 | (124) | 443 | 67 | 23 | 67 | 42 |
| Benefit payments | (4,894) | (5,846) | (5,136) | (5,035) | (5,044) | (5,074) | (5,467) | (5,412) |
| Administrative expense | <u>(12)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net Change in Plan Fiduciary Net Position | 513 | 389 | 326 | 493 | 317 | 273 | 317 | 342 |
| Plan Fiduciary Net Position - Beginning | <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> | <u>256</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>3,226</u> | <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>\$ 147,564</u> | <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.

CITY OF FITCHBURG, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIUTIONS, AND INVESTMENT RETURNS *(Dollars expressed in thousands)*

| Schedule of Net OPEB Liability | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | \$ 150,790 | \$ 141,088 | \$ 140,420 | \$ 195,477 | \$ 185,769 | \$ 175,498 | \$ 164,809 | \$ 155,004 |
| Plan fiduciary net position | <u>(3,226)</u> | <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 | <u>\$ 147,564</u> | <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 | 2.14% | 1.92% | 1.66% | 1.02% | 0.81% | 0.68% | 0.56% | 0.39% |
| Covered employee payroll | \$ 100,662 | \$ 93,782 | \$ 85,845 | \$ 78,602 | \$ 78,906 | \$ 75,400 | \$ 72,824 | \$ 72,824 |
| Net OPEB liability as a percentage of covered employee payroll | 146.59% | 147.55% | 160.87% | 246.15% | 233.52% | 231.18% | 225.05% | 212.03% |
| Schedule of Contributions | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially determined contribution | \$ 23,104 | \$ 15,308 | \$ 20,216 | \$ 19,174 | \$ 18,222 | \$ 16,932 | \$ 10,576 | \$ 10,303 |
| Contributions in relation to the actuarially determined contribution | <u>(5,144)</u> | <u>(6,096)</u> | <u>(5,586)</u> | <u>(5,085)</u> | <u>(5,294)</u> | <u>(5,324)</u> | <u>(5,717)</u> | <u>(5,712)</u> |
| Contribution deficiency (excess) | <u>\$ 17,960</u> | <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 | \$ 100,662 | \$ 93,782 | \$ 85,845 | \$ 78,602 | \$ 78,906 | \$ 75,400 | \$ 72,824 | \$ 72,824 |
| Contributions as a percentage of covered employee payroll | 5.11% | 6.50% | 6.51% | 6.47% | 6.71% | 7.06% | 7.85% | 7.84% |
| Schedule of Investment Returns | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expense | 9.42% | 5.70% | -5.60% | 29.40% | 5.50% | 2.46% | 8.90% | 9.10% |

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

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