

CITY OF LOWELL, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FOR THE YEAR ENDED JUNE 30, 2019

CITY OF LOWELL, MASSACHUSETTS

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Lowell, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, Massachusetts, as of and for the year ended June 30, 2019 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, Massachusetts, as of June 30, 2019 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2018), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 February 14, 2020, on our consideration of the City of Lowell, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 of Lowell's internal control over financial reporting and compliance.

Powers + Sullivan, LLC

February 14, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Lowell (the "City"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report.

Financial Highlights

Government-wide

- The City's overall liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$515.2 million, at the close of 2019, an overall decrease of \$19.0 million from the prior year. The decrease is primarily the result of the increase in the net other postemployment benefit (OPEB) liability and its associated deferred outflows/inflows of \$19.6 million, an increase in the net pension liability and its associated deferred outflows/inflows of \$11.2 million. These decreases were offset by the receipt of \$6.7 million of capital grants and general fund positive budgetary results.
- Governmental net position decreased by \$9.8 million. The decrease is attributable to the \$9.1 million increase in the net OPEB liability and its associated deferred outflows/inflows of resources, a net increase in the net pension liability and its associated deferred outflows/inflows of \$7.2 million. These decreases were offset by positive budgetary results and the timing between the receipt of grant funds and the actual expense of such funds.
- Business-type activities experienced a combined \$9.2 million decrease in net position, primarily due to the increase of the net OPEB liability and net pension liability.
- Overall governmental long-term debt increased by \$10.0 million and business-type long-term debt increased by \$5.0 million, not including premiums. Please see Note 7 for more information on the City's long-term bonds.

Fund Financial Statements

- As of the close of the current year, the City's governmental funds reported combined ending fund balance of \$42.6 million, an increase of \$10.9 million in comparison with the prior year.
- The City issued \$56.3 million of general obligation bonds on September 17, 2019, \$21.7 million related to bond anticipation notes outstanding at year end. As such, the City has recognized bond proceeds of \$16.2 million in the governmental funds, \$3.5 million in the parking enterprise fund, \$40 thousand in the sewer enterprise fund, and \$1.9 million in the water enterprise fund. See Note 7 for more information.
- The water fund issued \$9.4 million of Massachusetts Clean Water Trust loans during fiscal year 2019. See Note 7 for more information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the financial position of the City.

The government-wide financial statements are presented using the accrual basis of accounting, which presents a view of the City's financial position in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two 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 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest. The business type activities include costs relating to the water, sewer, and parking activities.

The financial statements include not only the City itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City is financially accountable. Financial information for this *component unit* is reported within the fiduciary fund statements.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains approximately 800 individual governmental funds. Information for the general fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other funds are combined into a single, aggregate presentation under the caption *nonmajor governmental funds*. The general fund is the only major governmental fund reported.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds – The City maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its water, sewer, and parking operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements. In July 2012, the City entered the Group Insurance Commission and its health insurance activities are now premium based.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into three classifications: pension and other employee benefits trust fund, private purpose trust funds, and agency funds. Private purpose trust funds are used to account for trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Therefore, agency funds are not included within the statement of revenues, expenses and changes in net position.

The City is the trustee, or fiduciary, for its employees' pension plan. The City's fiduciary activities are reported in the statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The City established an OPEB trust fund to account for funds set aside to help offset future postemployment benefits for retirees. There were no contributions in the current year, only investment income. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's overall liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$515.2 million at the close of 2019, an overall decrease of \$19.0 million from the prior year.

Net position of \$291.9 million reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the City's net position, \$21.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, a deficit of \$828.4 million, reflects the impact of the \$697.1 million net other postemployment benefit liability and the \$280.1 million net pension liability.

Details related to the City's governmental and business-type activities follow.

Governmental Activities

At the end of the current year, the City is able to report positive balances in two out of three categories of net position. The governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$557.6 million at the close of 2019.

	2019	2018
Assets:		
Current assets.....	\$ 102,779,978	\$ 93,008,293
Noncurrent assets (excluding capital).....	4,355,375	5,693,835
Capital assets, non depreciable.....	44,380,063	34,506,080
Capital assets, net of accumulated depreciation...	254,395,132	257,877,413
Total assets.....	405,910,548	391,085,621
Deferred outflows of resources.....	99,410,663	17,359,503
Liabilities:		
Current liabilities (excluding debt).....	40,509,624	35,102,804
Noncurrent liabilities (excluding debt).....	929,345,694	821,670,524
Current debt.....	10,613,188	16,625,496
Noncurrent debt.....	72,982,197	65,128,959
Total liabilities.....	1,053,450,703	938,527,783
Deferred inflows of resources.....	9,462,562	17,671,422
Net position:		
Net investment in capital assets.....	226,235,261	224,796,936
Restricted.....	21,329,870	23,131,250
Unrestricted.....	(805,157,185)	(795,682,267)
Total net position.....	\$ (557,592,054)	\$ (547,754,081)

A significant portion of the City's governmental activities net position, \$226.2 million, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position of \$21.3 million represents resources that are subject to external restrictions on how they may be used. The deficit balance of unrestricted net position in the amount of \$805.2 million is due to the recognition of the net pension liability of \$256.9 million and the net OPEB liability of \$663.7 million.

Included within the governmental activities noncurrent assets, unrelated to capital assets, are \$3.5 million in future school construction reimbursement grants and \$850,000 of loans receivable.

Governmental activity liabilities include \$81.4 million in general obligation bonds; \$2.2 million of notes payable; \$13.2 million in liabilities for unused vacation, special leave, and enhanced longevity benefits; and \$3.8 million in future workers' compensation benefits.

The key elements of governmental activities are as follows:

	2019	2018
Program Revenues:		
Charges for services.....	\$ 14,943,135	\$ 13,484,864
Operating grants and contributions.....	242,178,061	236,540,909
Capital grants and contributions.....	6,712,289	6,437,514
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	132,122,486	127,212,001
Tax and other liens.....	664,603	99,335
Motor vehicle and other excise taxes.....	10,745,444	10,115,419
Hotel/motel tax.....	346,888	331,215
Meals tax.....	1,292,366	1,238,909
Penalties and interest on taxes.....	1,247,038	1,348,397
Payments in lieu of taxes.....	465,612	433,476
Grants and contributions not restricted to specific programs.....	26,364,059	25,705,098
Unrestricted investment income.....	957,818	465,166
Gain on sale of capital assets.....	-	584,665
Miscellaneous.....	176,191	103,300
Total revenues.....	438,215,990	424,100,268
Expenses:		
General government.....	21,501,176	20,245,700
Public safety.....	81,783,529	78,569,798
Education.....	301,369,015	301,769,143
Public works.....	17,596,308	18,091,254
Health and human services.....	14,590,887	14,081,807
Culture and recreation.....	8,042,130	8,664,887
Interest.....	3,190,918	1,967,798
Total expenses.....	448,073,963	443,390,387
Excess (Deficiency) before transfers.....	(9,857,973)	(19,290,119)
Transfers.....	20,000	-
Change in net position.....	(9,837,973)	(19,290,119)
Net position, beginning of year.....	(547,754,081)	(528,463,962)
Net position, end of year.....	\$ (557,592,054)	\$ (547,754,081)

The decrease is attributable to the \$9.1 million increase in the net OPEB liability and its associated deferred outflows/inflows of resources, a net increase in the net pension liability and its associated deferred outflows/inflows of \$7.2 million. These decreases were offset by positive budgetary results, the receipt of \$6.7 million of capital grants, and the timing between the receipt of grant funds and the actual expense of such funds.

Business-type Activities

The following summarizes the key financial components of the City’s business-type activities:

	2019	2018
Assets:		
Current assets.....	\$ 37,854,167	\$ 38,454,876
Capital assets, non depreciable.....	26,278,767	14,671,887
Capital assets, net of accumulated depreciation....	209,449,243	213,546,034
Total assets.....	273,582,177	266,672,797
Deferred outflows of resources.....	6,406,265	1,300,346
Liabilities:		
Current liabilities (excluding debt).....	5,593,529	4,351,761
Noncurrent liabilities (excluding debt).....	56,727,029	36,583,695
Current debt.....	30,296,100	33,947,146
Noncurrent debt.....	144,118,011	140,204,435
Total liabilities.....	236,734,669	215,087,037
Deferred inflows of resources.....	853,215	1,326,022
Net position:		
Net investment in capital assets.....	65,624,220	60,833,885
Unrestricted.....	(23,223,662)	(9,273,801)
Total net position.....	\$ 42,400,558	\$ 51,560,084

Business type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42.4 million at the close of 2019.

Net position of \$65.6 million reflects its net investment in capital assets less any debt used to acquire those assets that are still outstanding. The deficit balance of *unrestricted net position* of \$23.2 million is due to the net pension liability of \$23.2 million and the net OPEB liability of \$33.4 million.

	2019	2018
Program Revenues:		
Charges for services.....	\$ 44,695,466	\$ 40,822,019
Capital grants and contributions.....	1,004,085	882,797
General Revenues:		
Unrestricted investment income.....	872	3,768
Total revenues.....	45,700,423	41,708,584
Expenses:		
Water.....	15,681,915	11,735,911
Sewer.....	31,353,035	21,513,295
Parking.....	7,804,999	5,894,414
Total expenses.....	54,839,949	39,143,620
Excess (Deficiency) before transfers.....	(9,139,526)	2,564,964
Transfers.....	(20,000)	-
Change in net position.....	(9,159,526)	2,564,964
Net position, beginning of year.....	51,560,084	48,995,120
Net position, end of year.....	\$ 42,400,558	\$ 51,560,084

The water enterprise fund net position decreased by \$3.7 during the current year. The decrease is primarily due to the increase in the net OPEB and net pension liabilities in the current year.

The sewer enterprise fund net position decreased by \$6.4 million during the current year. The decrease is primarily due to the increase in the net OPEB and net pension liabilities in the current year.

The parking enterprise fund net position increased by \$957,000 in the current year. The change is primarily due to the increased parking fees approved in the Spring of 2018 which offset the increase in the net OPEB and net pension liabilities in the current year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the year, governmental funds reported combined ending fund balances of \$42.6 million, an increase of \$10.9 million in comparison with the prior year. The increase is primarily attributable to the positive budgetary results in the general fund and the issuance of bonds in the nonmajor funds offset by capital related expenditures of bond proceeds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund equaled \$21.9 million (which includes \$11.8 million set aside as stabilization), while total fund balance was \$24.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 5.8% and 6.4% of general fund expenditures, respectively.

The general fund increased by \$4.8 million during 2019. This was primarily due to the \$5.3 million of positive budgetary results offsetting a \$522,000 decrease in the employee benefits trust reported within the general fund.

General fund revenues and other financing sources totaled \$380.8 million for 2019, an increase of \$5.5 million compared to the previous year. The increase primarily relates to real estate and personal property taxes and intergovernmental State aid.

Total general fund expenditures and other financing uses totaled \$376.0 million, a decrease of \$3.7 million over the previous year. The decrease in expenditures and other financing uses is a result of strong budgetary controls with the largest turn backs seen in state and county charges and general government.

Nonmajor governmental funds increased \$6.0 million which can be attributed to the \$16.2 million issuance of bonds less the capital expenditures that occurred in 2019 related to the bond issue.

The internal service fund had an ending fund balance of \$2.9 million, an increase of \$523,000 over the prior year. The increase is the result of a \$400,000 payment from the general fund due to the City's agreement with the Lowell Public Employee Committee for the distribution of the employee share of the health benefits trust fund. In July of 2012, the City entered into the Group Insurance Commission (GIC) and its health insurance activities are now premium based. The City is now working to use the remaining balance in the internal service fund for health insurance related costs.

General Fund Budgetary Highlights

The difference between the original budget of \$353.1 million and the final amended budget of \$357.2 million amounted to a net increase of \$4.1 million. During 2019, the Council approved transfers from free cash totaling \$2.2 million to the general stabilization fund and \$251,000 to the OPEB trust fund. The Council further approved use of free cash within the general fund of \$84,000 for the City Manager's contingency line. The Council also approved various supplemental appropriations from other available funds, as well as transfers between departments representing minor increases and decreases in various budget line items.

Revenues came in higher than budgeted by \$3.3 million while expenditures came in \$4.7 million lower than budgeted. The largest revenue surplus related to departmental and other revenues of \$1.5 million which was primarily due to an electric rebate of \$951,000.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for governmental activities as of June 30, 2019, amounts to \$298.8 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, machinery and equipment, books, and software. Major governmental additions included Hamilton canal district construction, High school construction, purchase of 75 Archand Drive, and roadway improvements.

The City's investment in capital assets for business-type activities as of June 30, 2019, amounts to \$235.7 million, net of accumulated depreciation. The investment in capital assets for the business-type activities predominately

relates to both sewer and water infrastructure and systems as well as the various parking garage facilities. Major current year additions included Duck Island facility upgrades, water main improvements, sewer improvements and parking garage upgrades.

Additional information on the City's capital assets may be found in Note 4 to the basic financial statements.

Long-term debt – At June 30, 2019, the City had total governmental bonded debt of \$78.6 million. Of this amount \$77.6 million is a general obligation of the City and the remaining \$1.0 million is guaranteed debt under the Section 108 Loan Program. The City issued general obligation bonds totaling \$16.2 million during fiscal year 2019.

The sewer enterprise fund has \$83.3 million in long-term debt that is supported by the sewer rates and future MCWT principal and interest subsidies. The fund issued general obligation bonds of \$40,000 during fiscal year 2019. Currently, the City has \$16.9 million in authorized and unissued long-term debt relating to future sewer projects.

The water enterprise fund has \$42.3 million in long-term debt that is supported by the water rates and future MCWT principal and interest subsidies. The fund finalized loans with MCWT for \$9.4 million and issued \$1.9 million of general obligation bonds during fiscal year 2019. Currently, the City has \$15.0 million in authorized and unissued long-term debt relating to future water projects.

The parking enterprise fund has \$27.7 million in long-term debt that is supported by parking fees. The fund issued general obligation bond totaling \$3.5 million during fiscal year 2019. Currently, the City has \$35.4 million in authorized and unissued long-term debt relating to future parking projects.

Please see Note 6 and 7 for more information related to debt activity.

Next Year's Budget

Mayor William J. Samaras and the Lowell City Council unanimously approved the City Manager's proposed FY2020 general fund operating budget of \$334.4 million on June 11, 2019 after a public hearing in the City Council Chambers at Lowell City Hall. The total increase in general fund appropriations over fiscal year 2019 was \$8.5 million. Notable drivers of increased expenditures included fixed costs, such as a \$1.7 million increase in the PERAC pension assessment, a \$472,000 increase in the appropriation for health insurance costs, a \$1.9 million of the \$2.1 million increase in Cherry Sheet assessments from the Commonwealth attributable to the City's assessment for Charter Schools, and a \$700,000 expense for the City's "contaminated recycling." Personnel costs also factored into the formulation of the 2020 budget as all the municipal collective bargaining units' contracts expired on June 30, 2018; roughly \$1.6 million was appropriated to absorb the financial impact of collective bargaining with the City's 17 unions.

The FY2020 budget included an overall \$12.7 million increase in education spending, including both the Lowell Public School District and the assessment from the Greater Lowell Regional Technical High School. Of the \$179.3 million appropriated by the City Council to the Lowell Public Schools, 90.9% of the funding source is from the Commonwealth's Chapter 70 education aid and the balance of \$16.3 million is funded through the tax levy in direct cash support. Other major priority areas of the budget, such as public safety, were level funded, federal grant money which had previously supported staffing in the Fire Department (LFD). In the Health and Human Services Department, the City Administration used the FY2020 budget to further address the opioid crisis by adding new personnel in the Health Department to address a symptom of the opioid crisis, discarded needles throughout City parks and open space. The syringe collection program was implemented and funded in the FY2020 budget, as well as continued local funding for other outreach efforts in the health department.

In addition to the FY2020 budget for the general fund, the City Council approved the City Manager's budgets for City's three enterprise funds for water, sewer, and parking in the amounts of \$11.1 million, \$18.5 million, and \$6.8 million, respectively. Appropriations for business-type activities increased year-over-year by \$400,000 in the water enterprise and \$400,000 million in the sewer enterprise. In FY2020, the amount budgeted to reimburse the general fund for administrative overhead was \$9.01 million, level funded from FY2019.

Several targeted investments were incorporated by the City Manager into the FY2020 operating budget to support the priorities of the City Council, such as public safety and economic development. Concurrent with the FY2020 operating budget, the City Council unanimously approved the City Manager's proposed update to the City's comprehensive five-year capital improvement plan ("CIP") and a loan order in the amount of \$25 million support strategic investments in the general fund. The loan order included funding for public safety communication upgrades, relocation costs, various projects supporting the Hamilton Canal Innovation District, paving, building improvements, traffic calming, among other projects. Aside from the projects incorporated in the City Manager's CIP, the City Council approved a \$341 million loan order for the Lowell High School project. Furthermore, the City Council approved loan orders in the amounts of \$45 million and \$67 million for the City's water and sewer enterprise funds, respectively, to support their infrastructure overhaul.

The fiscal year 2020 tax levy was submitted to the Department of Revenue on December 12, 2019 at \$138,331,643, a budgeted increase of 2.25% plus the 2020 certified new growth of over \$2.5 million. Total appropriations in all funds including the general fund and enterprise funds totaled \$407,340,917, including \$29,061,793 in "cherry sheet" charges and a \$1,135,655 allowance for abatements and exemptions. The total estimated receipts and other revenue sources raised to support those appropriated and other unappropriated expenses totaled \$269,009,274. Of that total, \$194,934,560 came from local aid from the Commonwealth (Chapter 70, UGGA, and other "cherry sheet" receipts), \$1,192,791 from MSBA reimbursements for completed projects, and \$23,657,090 in local receipts. \$46,652,739 of the total amount raised was from the City's enterprise funds and \$1,950,637 was appropriated by the Lowell City Council in other available funds to support the budget.

Management continued to make strides in improving internal controls and strengthening the overall financial management of the City in FY2019 and into the FY2020 operating year. Most notably, the City Treasurer balanced and finalized all bank reconciliations an item noted as a control issues in prior year reports. In a report issued by Standard & Poor's related to a \$56,250,000, 25-year general obligation state qualified bond issue and a \$4,388,667, 358-day Bond Anticipation Note issuance in September of 2019, the ratings agency commented on Lowell's "very strong management", "strong budgetary performance", and "strong debt and contingent liability profile". In the report, S&P wrote, "we view the City's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable. Officials are conservative with revenue and expenditure assumptions, and they consider historical trends when developing the budget. They have the flexibility to amend the budget as needed, and management monitors performance regularly and makes monthly reports on budget-to-actual results to the city council. Management performs formal financial forecasting and maintains a five-year CIP it updates annually."

Requests for Information

This financial report is designed to provide a general overview of the City of Lowell'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 the City Auditor, City Hall 375 Merrimack Street, Lowell, MA 01852.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 59,374,324	\$ 27,551,114	\$ 86,925,438
Investments.....	1,839,943	-	1,839,943
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,460,526	-	2,460,526
Tax liens.....	1,432,147	204,439	1,636,586
Motor vehicle and other excise taxes.....	2,036,585	-	2,036,585
User fees.....	689,998	9,067,752	9,757,750
Departmental and other.....	389,947	1,030,862	1,420,809
Intergovernmental.....	29,132,819	-	29,132,819
Loans.....	282,642	-	282,642
Tax foreclosures.....	4,929,547	-	4,929,547
Working capital deposit.....	211,500	-	211,500
Total current assets.....	102,779,978	37,854,167	140,634,145
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	3,505,375	-	3,505,375
Loans.....	850,000	-	850,000
Capital assets, nondepreciable.....	44,380,063	26,278,767	70,658,830
Capital assets, net of accumulated depreciation.....	254,395,132	209,449,243	463,844,375
Total noncurrent assets.....	303,130,570	235,728,010	538,858,580
TOTAL ASSETS.....	405,910,548	273,582,177	679,492,725
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	7,641	-	7,641
Deferred outflows related to pensions.....	35,221,328	3,177,294	38,398,622
Deferred outflows related to other postemployment benefits.....	64,181,694	3,228,971	67,410,665
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	99,410,663	6,406,265	105,816,928
LIABILITIES			
CURRENT:			
Warrants payable.....	11,362,519	3,352,499	14,715,018
Accrued payroll.....	13,507,183	108,388	13,615,571
Tax refunds payable.....	189,700	-	189,700
Accrued interest.....	1,527,176	1,763,240	3,290,416
Other liabilities.....	5,780,757	-	5,780,757
Compensated absences.....	7,511,689	369,402	7,881,091
Workers' compensation.....	630,600	-	630,600
Notes payable.....	2,245,027	19,383,275	21,628,302
Bonds payable.....	8,368,161	10,912,825	19,280,986
Total current liabilities.....	51,122,812	35,889,629	87,012,441
NONCURRENT:			
Compensated absences.....	5,661,280	163,716	5,824,996
Workers' compensation.....	3,119,900	-	3,119,900
Net pension liability.....	256,891,644	23,174,036	280,065,680
Net other postemployment benefits liability.....	663,672,870	33,389,277	697,062,147
Bonds payable.....	72,982,197	144,118,011	217,100,208
Total noncurrent liabilities.....	1,002,327,891	200,845,040	1,203,172,931
TOTAL LIABILITIES.....	1,053,450,703	236,734,669	1,290,185,372
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	4,405	-	4,405
Deferred inflows related to pensions.....	9,458,157	853,215	10,311,372
TOTAL DEFERRED INFLOWS OF RESOURCES.....	9,462,562	853,215	10,315,777
NET POSITION			
Net investment in capital assets.....	226,235,261	65,624,220	291,859,481
Restricted for:			
Chapter 17 special reserve.....	1,150	-	1,150
Streets.....	2,731,180	-	2,731,180
Community development.....	6,696,011	-	6,696,011
Loans.....	1,132,642	-	1,132,642
Permanent funds:			
Expendable.....	353,343	-	353,343
Nonexpendable.....	1,847,352	-	1,847,352
Gifts and grants.....	8,568,192	-	8,568,192
Unrestricted.....	(805,157,185)	(23,223,662)	(828,380,847)
TOTAL NET POSITION.....	\$ (557,592,054)	\$ 42,400,558	\$ (515,191,496)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 21,501,176	\$ 5,372,425	\$ 2,745,640	\$ 148,591	\$ (13,234,520)
Public safety.....	81,783,529	4,508,978	4,271,876	13,445	(72,989,230)
Education.....	301,369,015	551,523	222,500,984	383,899	(77,932,609)
Public works.....	17,596,308	3,654,847	1,178,834	6,049,028	(6,713,599)
Human services.....	14,590,887	543,142	11,036,100	117,326	(2,894,319)
Culture and recreation.....	8,042,130	312,220	444,627	-	(7,285,283)
Interest.....	3,190,918	-	-	-	(3,190,918)
Total Governmental Activities.....	448,073,963	14,943,135	242,178,061	6,712,289	(184,240,478)
<i>Business-Type Activities:</i>					
Water.....	15,681,915	11,271,736	-	734,331	(3,675,848)
Sewer.....	31,353,035	24,725,409	-	187,144	(6,440,482)
Parking.....	7,804,999	8,698,321	-	82,610	975,932
Total Business-Type Activities.....	54,839,949	44,695,466	-	1,004,085	(9,140,398)
Total Primary Government.....	\$ 502,913,912	\$ 59,638,601	\$ 242,178,061	\$ 7,716,374	\$ (193,380,876)

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(184,240,478)	(9,140,398)	(193,380,876)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	132,122,486	-	132,122,486
Tax and other liens.....	664,603	-	664,603
Motor vehicle and other excise taxes.....	10,745,444	-	10,745,444
Hotel/motel tax.....	346,888	-	346,888
Meals tax.....	1,292,366	-	1,292,366
Penalties and interest on taxes.....	1,247,038	-	1,247,038
Payments in lieu of taxes.....	465,612	-	465,612
Grants and contributions not restricted to specific programs.....	26,364,059	-	26,364,059
Unrestricted investment income.....	957,818	872	958,690
Miscellaneous.....	176,191	-	176,191
<i>Transfers, net</i>	20,000	(20,000)	-
Total general revenues and transfers.....	174,402,505	(19,128)	174,383,377
Change in net position.....	(9,837,973)	(9,159,526)	(18,997,499)
<i>Net position:</i>			
Beginning of year.....	(547,754,081)	51,560,084	(496,193,997)
End of year..... \$	<u>(557,592,054)</u>	<u>42,400,558</u>	<u>(515,191,496)</u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 33,983,017	\$ 22,509,169	\$ 56,492,186
Investments.....	-	1,839,943	1,839,943
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	2,460,526	-	2,460,526
Tax liens.....	1,432,147	-	1,432,147
Motor vehicle and other excise taxes.....	2,036,585	-	2,036,585
User fees.....	689,998	-	689,998
Departmental and other.....	386,247	3,700	389,947
Intergovernmental.....	19,446,125	13,192,069	32,638,194
Loans.....	-	1,132,642	1,132,642
Tax foreclosures.....	4,929,547	-	4,929,547
Working capital deposit.....	211,500	-	211,500
TOTAL ASSETS.....	\$ 65,575,692	\$ 38,677,523	\$ 104,253,215
LIABILITIES			
Warrants payable.....	\$ 6,580,702	\$ 4,781,817	\$ 11,362,519
Accrued payroll.....	12,530,232	976,951	13,507,183
Tax refunds payable.....	189,700	-	189,700
Other liabilities.....	5,780,757	-	5,780,757
Notes payable.....	-	2,245,027	2,245,027
TOTAL LIABILITIES.....	25,081,391	8,003,795	33,085,186
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	4,405	-	4,405
Unavailable revenue.....	16,318,012	12,291,095	28,609,107
TOTAL DEFERRED INFLOWS OF RESOURCES....	16,322,417	12,291,095	28,613,512
FUND BALANCES			
Nonspendable.....	-	1,847,352	1,847,352
Restricted.....	1,150	17,101,692	17,102,842
Committed.....	2,166,777	-	2,166,777
Assigned.....	66,629	-	66,629
Unassigned.....	21,937,328	(566,411)	21,370,917
TOTAL FUND BALANCES.....	24,171,884	18,382,633	42,554,517
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 65,575,692	\$ 38,677,523	\$ 104,253,215

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Total governmental fund balances.....	\$	42,554,517
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		298,775,195
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		28,609,107
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		89,952,506
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		2,882,138
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,527,176)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(81,350,358)	
Net pension liability.....	(256,891,644)	
Net other postemployment benefits liability.....	(663,672,870)	
Workers' compensation.....	(3,750,500)	
Compensated absences.....	<u>(13,172,969)</u>	
Net effect of reporting long-term liabilities.....		<u>(1,018,838,341)</u>
Net position of governmental activities.....	\$	<u><u>(557,592,054)</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 131,549,594	\$ -	\$ 131,549,594
Tax liens.....	737,817	-	737,817
Motor vehicle and other excise taxes.....	9,745,497	-	9,745,497
Hotel/motel tax.....	346,888	-	346,888
Meals tax.....	1,292,366	-	1,292,366
Charges for services.....	3,097,008	-	3,097,008
Penalties and interest on taxes.....	1,247,038	-	1,247,038
Payments in lieu of taxes.....	465,612	-	465,612
Fines and forfeitures.....	-	68,050	68,050
Intergovernmental - state aid.....	181,484,487	-	181,484,487
Intergovernmental - School Building Authority.....	1,192,791	-	1,192,791
Intergovernmental - Teachers Retirement.....	35,253,246	-	35,253,246
Intergovernmental - other.....	806,717	55,804,488	56,611,205
Departmental and other.....	9,483,386	3,678,195	13,161,581
Contributions and donations.....	-	228,508	228,508
Investment income.....	827,813	130,005	957,818
TOTAL REVENUES.....	377,530,260	59,909,246	437,439,506
EXPENDITURES:			
Current:			
General government.....	12,978,287	701,958	13,680,245
Public safety.....	47,687,333	5,989,914	53,677,247
Education.....	158,307,594	39,302,548	197,610,142
Public works.....	12,569,761	11,642,415	24,212,176
Human services.....	3,705,026	8,689,532	12,394,558
Culture and recreation.....	4,009,598	845,376	4,854,974
Pension benefits.....	23,787,319	-	23,787,319
Pension benefits - Teachers Retirement.....	35,253,246	-	35,253,246
Employee benefits.....	42,836,174	-	42,836,174
State and county charges.....	25,253,169	-	25,253,169
Debt service:			
Principal.....	6,057,000	170,000	6,227,000
Interest.....	3,011,205	26,571	3,037,776
TOTAL EXPENDITURES.....	375,455,712	67,368,314	442,824,026
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,074,548	(7,459,068)	(5,384,520)
OTHER FINANCING SOURCES (USES):			
Issuance of bonds.....	-	16,221,399	16,221,399
Transfers in.....	3,295,448	637,052	3,932,500
Transfers out.....	(551,950)	(3,360,550)	(3,912,500)
TOTAL OTHER FINANCING SOURCES (USES).....	2,743,498	13,497,901	16,241,399
NET CHANGE IN FUND BALANCES.....	4,818,046	6,038,833	10,856,879
FUND BALANCES AT BEGINNING OF YEAR.....	19,353,838	12,343,800	31,697,638
FUND BALANCES AT END OF YEAR.....	\$ 24,171,884	\$ 18,382,633	\$ 42,554,517

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds.....		\$ 10,856,879
<p>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.</p>		
Capital outlay.....		20,200,725
Depreciation expense.....		<u>(13,809,023)</u>
Net effect of reporting capital assets.....		6,391,702
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		776,484
<p>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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....		(16,221,399)
Net amortization of premium from issuance of bonds.....		437,952
Net change in deferred charge on refunding.....		(22,607)
Debt service principal payments.....		<u>6,227,000</u>
Net effect of reporting long-term debt.....		(9,579,054)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(1,226,289)
Net change in accrued interest on long-term debt.....		(568,487)
Net change in deferred outflow/(inflow) of resources related to pensions.....		26,105,338
Net change in net pension liability.....		(33,296,045)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....		64,181,694
Net change in net other postemployment benefits liability.....		(73,328,508)
Net change in workers' compensation liability.....		<u>(675,000)</u>
Net effect of recording long-term liabilities.....		(18,807,297)
The net activity of internal service funds is reported with Governmental Activities.....		<u>523,313</u>
Change in net position of governmental activities.....		\$ <u><u>(9,837,973)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 9,183,608	\$ 7,331,824	\$ 11,035,682	\$ 27,551,114	\$ 2,882,138
Receivables, net of allowance for uncollectibles:					
Liens - user fees.....	89,278	115,161	-	204,439	-
User fees.....	3,302,157	5,765,595	-	9,067,752	-
Departmental and other.....	-	-	1,030,862	1,030,862	-
Total current assets.....	<u>12,575,043</u>	<u>13,212,580</u>	<u>12,066,544</u>	<u>37,854,167</u>	<u>2,882,138</u>
NONCURRENT:					
Capital assets, non depreciable.....	2,670,728	20,868,992	2,739,047	26,278,767	-
Capital assets, net of accumulated depreciation.....	<u>45,186,188</u>	<u>127,968,326</u>	<u>36,294,729</u>	<u>209,449,243</u>	<u>-</u>
Total noncurrent assets.....	<u>47,856,916</u>	<u>148,837,318</u>	<u>39,033,776</u>	<u>235,728,010</u>	<u>-</u>
TOTAL ASSETS.....	<u>60,431,959</u>	<u>162,049,898</u>	<u>51,100,320</u>	<u>273,582,177</u>	<u>2,882,138</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	1,137,779	1,811,959	227,556	3,177,294	-
Deferred outflows related to other postemployment benefits.....	<u>869,597</u>	<u>2,002,097</u>	<u>357,277</u>	<u>3,228,971</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>2,007,376</u>	<u>3,814,056</u>	<u>584,833</u>	<u>6,406,265</u>	<u>-</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	227,001	2,660,638	464,860	3,352,499	-
Accrued payroll.....	45,510	55,726	7,152	108,388	-
Accrued interest.....	414,410	977,449	371,381	1,763,240	-
Compensated absences.....	136,715	222,588	10,099	369,402	-
Notes payable.....	199,161	18,417,014	767,100	19,383,275	-
Bonds payable.....	<u>3,648,311</u>	<u>4,801,621</u>	<u>2,462,893</u>	<u>10,912,825</u>	<u>-</u>
Total current liabilities.....	<u>4,671,108</u>	<u>27,135,036</u>	<u>4,083,485</u>	<u>35,889,629</u>	<u>-</u>
NONCURRENT:					
Compensated absences.....	64,939	94,927	3,850	163,716	-
Net pension liability.....	8,298,551	13,215,773	1,659,712	23,174,036	-
Net other postemployment benefits liability.....	8,992,102	20,702,746	3,694,429	33,389,277	-
Bonds payable.....	<u>39,086,856</u>	<u>78,838,919</u>	<u>26,192,236</u>	<u>144,118,011</u>	<u>-</u>
Total noncurrent liabilities.....	<u>56,442,448</u>	<u>112,852,365</u>	<u>31,550,227</u>	<u>200,845,040</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>61,113,556</u>	<u>139,987,401</u>	<u>35,633,712</u>	<u>236,734,669</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	<u>305,534</u>	<u>486,574</u>	<u>61,107</u>	<u>853,215</u>	<u>-</u>
NET POSITION					
Net investment in capital assets.....	5,127,998	46,899,097	13,597,125	65,624,220	-
Unrestricted.....	<u>(4,107,753)</u>	<u>(21,509,118)</u>	<u>2,393,209</u>	<u>(23,223,662)</u>	<u>2,882,138</u>
TOTAL NET POSITION.....	<u>\$ 1,020,245</u>	<u>\$ 25,389,979</u>	<u>\$ 15,990,334</u>	<u>\$ 42,400,558</u>	<u>\$ 2,882,138</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
OPERATING REVENUES:					
Charges for services.....	\$ 11,270,594	\$ 24,432,643	\$ 8,613,173	\$ 44,316,410	\$ -
Employer contributions.....	-	-	-	-	400,000
Other operating revenues.....	1,142	292,766	85,148	379,056	123,313
TOTAL OPERATING REVENUES	11,271,736	24,725,409	8,698,321	44,695,466	523,313
OPERATING EXPENSES:					
Cost of services and administration.....	11,579,621	24,071,526	5,158,361	40,809,508	-
Depreciation.....	2,853,435	4,624,997	1,632,848	9,111,280	-
TOTAL OPERATING EXPENSES.....	14,433,056	28,696,523	6,791,209	49,920,788	-
OPERATING INCOME (LOSS).....	(3,161,320)	(3,971,114)	1,907,112	(5,225,322)	523,313
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	872	872	-
Interest expense.....	(1,248,859)	(2,656,512)	(1,013,790)	(4,919,161)	-
Intergovernmental - subsidy.....	734,331	187,144	-	921,475	-
Intergovernmental.....	-	-	82,610	82,610	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(514,528)	(2,469,368)	(930,308)	(3,914,204)	-
INCOME (LOSS) BEFORE TRANSFERS.....	(3,675,848)	(6,440,482)	976,804	(9,139,526)	523,313
TRANSFERS:					
Transfers out.....	-	-	(20,000)	(20,000)	-
CHANGE IN NET POSITION.....	(3,675,848)	(6,440,482)	956,804	(9,159,526)	523,313
NET POSITION AT BEGINNING OF YEAR.....	4,696,093	31,830,461	15,033,530	51,560,084	2,358,825
NET POSITION AT END OF YEAR.....	\$ 1,020,245	\$ 25,389,979	\$ 15,990,334	\$ 42,400,558	\$ 2,882,138

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 11,409,253	\$ 24,817,994	\$ 8,662,804	\$ 44,890,051	\$ -
Receipts from interfund services provided.....	-	-	-	-	523,313
Payments to vendors.....	(5,500,586)	(11,703,390)	(3,329,287)	(20,533,263)	-
Payments to employees.....	(2,386,111)	(4,171,125)	(529,561)	(7,086,797)	-
NET CASH FROM OPERATING ACTIVITIES.....	3,522,556	8,943,479	4,803,956	17,269,991	523,313
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	-	-	(20,000)	(20,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	13,375,961	13,182,810	7,767,100	34,325,871	-
Acquisition and construction of capital assets.....	(2,161,992)	(11,407,222)	(467,027)	(14,036,241)	-
Principal payments on bonds and notes.....	(16,131,860)	(11,322,903)	(6,209,810)	(33,664,573)	-
Intergovernmental revenue.....	-	-	82,610	82,610	-
Interest expense.....	(573,473)	(2,698,361)	(1,092,820)	(4,364,654)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(5,491,364)	(12,245,676)	80,053	(17,656,987)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	-	-	872	872	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,968,808)	(3,302,197)	4,864,881	(406,124)	523,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	11,152,416	10,634,021	6,170,801	27,957,238	2,358,825
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,183,608	\$ 7,331,824	\$ 11,035,682	\$ 27,551,114	\$ 2,882,138
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH					
FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (3,161,320)	\$ (3,971,114)	\$ 1,907,112	\$ (5,225,322)	\$ 523,313
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	2,853,435	4,624,997	1,632,848	9,111,280	-
Deferred (outflows)/inflows related to pensions.....	(841,331)	(1,340,466)	(167,958)	(2,349,755)	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(869,597)	(2,002,097)	(357,277)	(3,228,971)	-
Changes in assets and liabilities:					
Liens - user charges.....	(42,832)	(24,411)	-	(67,243)	-
User charges.....	180,349	116,996	-	297,345	-
Departmental and other.....	-	-	(35,517)	(35,517)	-
Warrants payable.....	226,734	(659,779)	464,860	31,815	-
Accrued payroll.....	(236,957)	(907,593)	(195,510)	(1,340,060)	-
Compensated absences.....	36,853	(41,819)	(902)	(5,868)	-
Net pension liability.....	2,361,321	3,360,452	674,180	6,395,953	-
Net other postemployment benefits liability.....	3,015,901	9,788,313	882,120	13,686,334	-
Total adjustments.....	6,683,876	12,914,593	2,896,844	22,495,313	-
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,522,556	\$ 8,943,479	\$ 4,803,956	\$ 17,269,991	\$ 523,313
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
MCWT principle forgiveness.....	\$ 421,565	\$ -	\$ -	\$ 421,565	\$ -
Intergovernmental subsidy of debt service.....	312,766	187,144	-	499,910	-
Total non-cash activity.....	\$ 734,331	\$ 187,144	\$ -	\$ 921,475	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 11,111,399	\$ 52,608	\$ 763,433
Investments:			
Investments in Pension Reserve Investment Trust.....	356,475,342	-	-
Equity securities.....	816,406	-	-
Equity mutual funds.....	6,365,714	128,453	-
Bond mutual funds.....	3,062,433	-	-
Receivables, net of allowance for uncollectibles:			
Interest and dividends.....	17,429	-	-
TOTAL ASSETS.....	377,848,723	181,061	763,433
LIABILITIES			
Warrants payable.....	-	-	13,059
Accrued payroll.....	-	-	109,103
Liabilities due depositors.....	-	-	641,271
TOTAL LIABILITIES.....	-	-	763,433
NET POSITION			
Restricted for pensions.....	367,981,493	-	-
Restricted for other postemployment benefits.....	9,867,230	-	-
Held in trust for other purposes.....	-	181,061	-
TOTAL NET POSITION.....	\$ 377,848,723	\$ 181,061	\$ -

(1) The Pension Trust Fund is as of December 31, 2018.

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 27,700,181	\$ -
Employer contributions for other postemployment benefit payments.....	18,953,904	-
Member contributions.....	9,435,776	-
Transfers from other systems.....	973,481	-
3(8)c contributions from other systems.....	663,348	-
Workers compensation settlements.....	8,000	-
State COLA reimbursements.....	670,662	-
Total contributions.....	58,405,352	-
Net investment income:		
Investment income (loss).....	(5,795,212)	9,006
Less: investment expense.....	(1,999,732)	-
Net investment income (loss).....	(7,794,944)	9,006
TOTAL ADDITIONS.....	50,610,408	9,006
DEDUCTIONS:		
Administration.....	347,172	-
Transfers to other systems.....	1,097,527	-
3(8)c transfer to other systems.....	1,433,590	-
Retirement benefits and refunds.....	39,236,589	-
Other postemployment benefit payments.....	18,953,904	-
TOTAL DEDUCTIONS.....	61,068,782	-
NET INCREASE IN NET POSITION.....	(10,458,374)	9,006
NET POSITION AT BEGINNING OF YEAR.....	388,307,097	172,055
NET POSITION AT END OF YEAR.....	\$ 377,848,723	\$ 181,061

(1) The Pension Trust Fund is as of December 31, 2018.

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Lowell, Massachusetts (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected nine-member City Council, of which one member serves as Mayor, and an appointed City Manager.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. In accordance with GAAP, these basic financial statements present the City (the primary government) as well as a component unit. One entity has been included as a component unit in the reporting entity because of the significance of its operational and/or financial relationship with the City.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the City and the component unit.

The Lowell Contributory Retirement System (System) was established to provide retirement benefits to City employees and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two elected members and two appointed members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a separate audited financial statement. The System also issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). These reports may be obtained by contacting the System located at 375 Merrimack Street, Lowell, Massachusetts, 01852.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred, and all other grant requirements are met.

The following major governmental fund is reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources of the general government, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the 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 the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *parking fund* is used to account for the parking garage activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance. As of July 1, 2012, the City entered the Group Insurance Commission and its health insurance activities are now premium based. The City is working to utilize the remaining balance in this fund for health insurance related appropriations.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension and other employee benefit trust funds* are used to account for the activities of the Lowell Contributory Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries and to accumulate resources to provide funding for future OPEB liabilities.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st of each year and are subject to penalties and interest if they are not paid by their respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the fourth quarter of each year on delinquent properties and are recorded as receivables.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water & Sewer

Water and Sewer user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by their respective due date. Liens are processed in December of every year and included as a lien on the property owner's tax bill. User charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Trash

Trash user fees are levied quarterly with the water and sewer bills. These charges are based on a flat fee of \$18 per family unit up to six units. Trash liens are processed in December of each year and included as a lien on the property owner's tax bill. Trash charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of outstanding parking tickets and are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred, and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Department of Planning and Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

G. Inventories*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), books and software are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art; historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20 - 40
Capital improvements (other than buildings)..	20
Infrastructure.....	40 - 50
Equipment.....	5 - 10
Vehicles.....	5 - 15
Books.....	3 - 10
Software.....	5

All purchases and construction costs in excess of \$25,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction, respectively.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements meeting the criteria above are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reported deferred charges on refunding, deferred outflows of resources related to pensions and other post-employment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition

of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reported taxes paid in advance and deferred inflows of resources related to pensions in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has recorded taxes paid in advance and unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are *not* eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

L. Unavailable Revenue

Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net position)

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position has been “restricted for” the following:

“Chapter 17 special reserve” represents amounts accumulated that can be used for unforeseen expenditures pursuant to Chapter 17 of the Acts of 1992.

“Streets” represents amounts committed by the Commonwealth for the repair and/or construction of streets.

“Community development” represents amounts committed by the federal Department of Housing and Urban Development (HUD) for various community development projects.

“Loans” represents community development outstanding loans receivable balances.

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Gifts and grants” represents restrictions placed on assets from outside parties.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes 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. A vote of the City Council is the highest level of decision-making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Auditor has the authority to assign fund balance. Funds are assigned when the City has an obligation to purchase goods or services from the current year’s appropriation.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

Sometimes the City will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the City’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

N. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as a liability in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources in the period issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

O. Investment Income

Excluding the permanent funds and internal service funds, investment income derived from major and nonmajor governmental funds and enterprise funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Lowell Contributory Retirement System and the Massachusetts Teachers' Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Use of Estimates

Government-Wide and Fund Financial Statements

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 disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

S. Individual Fund Deficits

At June 30, 2019, the Hamilton Canal Street District nonmajor governmental fund reported a deficit balance. The deficit will be funded through grant proceeds in future fiscal years.

T. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds. Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The System participates in 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, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares. The System also has expanded investment powers which are governed by Chapter 32 of the general laws of the Commonwealth and by the regulations issued by the Public Employee Retirement Administration Commission (PERAC). The existing law provides that Systems will invest in securities other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that financial institutions shall be selected first and foremost with regard to safety as recognized by a top rating with the Veribanc or similar rating service. At year-end, the carrying amount of the City's deposits totaled \$87,686,016 and the bank balance totaled \$91,464,919. Of the bank balance, \$1,856,291 was covered by Federal Depository Insurance, \$17,792,043 was covered by the Depositors Insurance Fund, \$29,294,806 was collateralized, and \$42,521,779 was uninsured and uncollateralized.

At December 31, 2018, carrying amount of deposits for the System totaled \$11,070,104 and the bank balance totaled \$11,150,864. All of the bank balance was covered by the Federal Depository Insurance and none of the funds were exposed to custodial risk.

Investments

As of June 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 435,980	\$ 285,923	\$ 150,057	\$ -
Government sponsored enterprises.....	489,188	-	489,188	-
Corporate bonds.....	530,953	74,750	456,203	-
Municipal bonds.....	5,000	5,000	-	-
Bond mutual funds.....	3,062,433	-	2,045,964	1,016,469
Total debt securities.....	4,523,554	\$ 365,673	\$ 3,141,412	\$ 1,016,469
<u>Other investments:</u>				
Equity securities.....	905,063			
Equity mutual funds.....	6,365,714			
Money market mutual funds.....	96,758			
Total investments.....	\$ 11,891,089			

As of December 31, 2018, the System had the following investments:

<u>Investment Type</u>	<u>Fair value</u>
Equity securities.....	\$ 418,618
Pension Reserve Investment Trust (PRIT).....	356,475,342
Total investments.....	\$ 356,893,960

Custodial Credit Risk – Investments

For the City’s investments, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments, \$489,188 in government sponsored enterprises, \$435,980 in U.S. Treasury notes, \$530,953 in corporate bonds, \$5,000 in municipal bonds, and \$905,063 in equity securities, the City has a custodial credit risk exposure of \$2,366,184, because the related securities are uninsured, unregistered and held by the counterparty. The City’s investment policy states that with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or Agencies, and State Investment Pools, no more than 50% of the City’s investments shall be invested in a single institution.

For the System’s investments, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The System does not have an investment policy related to custodial credit risk.

Interest Rate Risk

The City’s investment policy limits investment maturities to a term of up to one year, as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, when managing assets, the System at all times must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA), and Department of Labor regulations.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.18 to 15.31 years.

Credit Risk

The City’s investment policy states that financial institutions shall be selected first and foremost with regard to safety of principal, as recognized by a banking rating service such as Veribanc. Also, a listing of required information is to be received from any investment house the City would like to do business with.

At June 30, 2019, the City’s investments were rated as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Municipal Bonds	Bond Mutual Funds
AA+.....	\$ 489,188	\$ -	\$ -	\$ -
AA.....	-	47,880	-	-
AA-.....	-	-	5,000	-
A+.....	-	95,127	-	-
A.....	-	-	-	523,708
BBB+.....	-	287,320	-	-
BBB.....	-	100,626	-	1,462,710
BB.....	-	-	-	766,261
B.....	-	-	-	309,754
Total.....	\$ <u>489,188</u>	\$ <u>530,953</u>	\$ <u>5,000</u>	\$ <u>3,062,433</u>

The System has not adopted a formal policy related to credit risk. At December 31, 2018, the System did not have any rated investments.

Concentration of Credit Risk

The City’s investment policy states that with the exception of U.S. Treasury notes or investments fully collateralized by U.S. Treasuries or Agencies, and State Investment Pools, no more than 5% of the City’s investments shall be invested in a single institution. At June 30, 2019, the City’s investment in any one issuer did not exceed 5% of the total amount invested.

The System has not adopted a formal policy related to the amount that may be invested in any one issuer. At December 31, 2018, the System’s investment in any one issuer did not exceed 5% of the total amount invested.

Fair Market Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be

disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 435,980	\$ 435,980	\$ -	\$ -
Government sponsored enterprises.....	489,188	489,188	-	-
Corporate bonds.....	530,953	-	530,953	-
Municipal bonds.....	5,000	-	5,000	-
Bond mutual funds.....	3,062,433	3,062,433	-	-
Total debt securities.....	<u>4,523,554</u>	<u>3,987,601</u>	<u>535,953</u>	<u>-</u>
<u>Other investments:</u>				
Equity securities.....	905,063	905,063	-	-
Equity mutual funds.....	6,365,714	6,365,714	-	-
Money market mutual funds.....	96,758	96,758	-	-
Total other investments.....	<u>7,367,535</u>	<u>7,367,535</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	<u>\$ 11,891,089</u>	<u>\$ 11,355,136</u>	<u>\$ 535,953</u>	<u>\$ -</u>

U.S. treasury notes, government sponsored enterprises, bond mutual funds, equity securities, equity mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Retirement System

The Retirement System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan’s activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2018:

Investment Type	December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Equity securities.....	\$ 418,618	\$ 418,618	\$ -	\$ -
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)....	356,475,342			
Total investments.....	\$ 356,893,960			

Equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

At June 30, 2019, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 2,904,526	\$ (444,000)	\$ 2,460,526
Tax liens.....	2,833,147	(1,401,000)	1,432,147
Motor vehicle and other excise taxes.....	2,559,585	(523,000)	2,036,585
Trash user fees.....	689,998	-	689,998
Departmental and other.....	389,947	-	389,947
Intergovernmental.....	32,638,194	-	32,638,194
Loans.....	1,132,642	-	1,132,642
Total.....	\$ 43,148,039	\$ (2,368,000)	\$ 40,780,039

At December 31, 2018 the fiduciary funds had \$17,429 of interest and dividends receivable.

At June 30, 2019, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water liens - user fees.....	\$ 89,278	\$ -	\$ 89,278
Water user fees.....	3,302,157	-	3,302,157
Sewer liens - user fees.....	115,161	-	115,161
Sewer user fees.....	5,765,595	-	5,765,595
Parking departmental and other....	<u>1,030,862</u>	<u>-</u>	<u>1,030,862</u>
 Total.....	 \$ <u>10,303,053</u>	 \$ <u>-</u>	 \$ <u>10,303,053</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 2,169,653	\$ -	\$ 2,169,653
Tax liens.....	1,432,147	-	1,432,147
Motor vehicle and other excise taxes.....	2,036,585	-	2,036,585
User charges.....	689,998	-	689,998
Departmental and other.....	386,247	3,700	389,947
Intergovernmental - highway improvements.....	-	2,731,180	2,731,180
Intergovernmental - School Building Authority....	4,673,835	-	4,673,835
Intergovernmental - other.....	-	9,443,573	9,443,573
Loans.....	-	112,642	112,642
<u>Other asset type:</u>			
Tax foreclosures.....	<u>4,929,547</u>	<u>-</u>	<u>4,929,547</u>
 Total.....	 \$ <u>16,318,012</u>	 \$ <u>12,291,095</u>	 \$ <u>28,609,107</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 31,402,393	\$ 2,600,000	\$ -	\$ 34,002,393
Construction in progress.....	3,103,687	8,181,190	(907,207)	10,377,670
Total capital assets not being depreciated...	<u>34,506,080</u>	<u>10,781,190</u>	<u>(907,207)</u>	<u>44,380,063</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	352,976,549	3,614,207	-	356,590,756
Capital improvements (other than buildings).....	30,824,371	135,386	-	30,959,757
Infrastructure.....	194,924,728	4,058,476	-	198,983,204
Vehicles.....	19,769,716	707,410	-	20,477,126
Equipment.....	11,545,973	1,811,263	-	13,357,236
Books.....	7,810,699	-	-	7,810,699
Software.....	495,990	-	-	495,990
Total capital assets being depreciated.....	<u>618,348,026</u>	<u>10,326,742</u>	<u>-</u>	<u>628,674,768</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(226,581,769)	(6,895,673)	-	(233,477,442)
Capital improvements (other than buildings).....	(15,341,936)	(1,112,311)	-	(16,454,247)
Infrastructure.....	(90,513,625)	(2,950,246)	-	(93,463,871)
Vehicles.....	(14,798,664)	(1,661,345)	-	(16,460,009)
Equipment.....	(5,850,940)	(906,286)	-	(6,757,226)
Books.....	(6,887,689)	(283,162)	-	(7,170,851)
Software.....	(495,990)	-	-	(495,990)
Total accumulated depreciation.....	<u>(360,470,613)</u>	<u>(13,809,023)</u>	<u>-</u>	<u>(374,279,636)</u>
Total capital assets being depreciated, net.....	<u>257,877,413</u>	<u>(3,482,281)</u>	<u>-</u>	<u>254,395,132</u>
Total governmental activities capital assets, net....	<u>\$ 292,383,493</u>	<u>\$ 7,298,909</u>	<u>\$ (907,207)</u>	<u>\$ 298,775,195</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,844,420	\$ -	\$ -	\$ 2,844,420
Construction in progress.....	11,827,467	15,147,481	(3,540,601)	23,434,347
Total capital assets not being depreciated....	<u>14,671,887</u>	<u>15,147,481</u>	<u>(3,540,601)</u>	<u>26,278,767</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	3,111,313	-	-	3,111,313
Capital improvements (other than buildings).....	29,986,124	800,697	-	30,786,821
Infrastructure.....	337,061,223	3,924,900	-	340,986,123
Equipment.....	2,349,818	-	-	2,349,818
Vehicles.....	3,427,563	288,892	-	3,716,455
Total capital assets being depreciated.....	<u>375,936,041</u>	<u>5,014,489</u>	<u>-</u>	<u>380,950,530</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(203,161)	(77,547)	-	(280,708)
Capital improvements (other than buildings).....	(10,609,748)	(1,444,331)	-	(12,054,079)
Infrastructure.....	(148,272,575)	(6,996,118)	-	(155,268,693)
Equipment.....	(1,751,843)	(314,170)	-	(2,066,013)
Vehicles.....	(1,552,680)	(279,114)	-	(1,831,794)
Total accumulated depreciation.....	<u>(162,390,007)</u>	<u>(9,111,280)</u>	<u>-</u>	<u>(171,501,287)</u>
Total capital assets being depreciated, net.....	<u>213,546,034</u>	<u>(4,096,791)</u>	<u>-</u>	<u>209,449,243</u>
Total business-type activities capital assets, net....	<u>\$ 228,217,921</u>	<u>\$ 11,050,690</u>	<u>\$ (3,540,601)</u>	<u>\$ 235,728,010</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 730,577
Public safety.....	1,983,568
Education.....	6,435,964
Public works.....	2,693,963
Human services.....	260,496
Culture and recreation.....	<u>1,704,455</u>
Total depreciation expense - governmental activities....	<u>\$ 13,809,023</u>

Business-Type Activities:

Water.....	\$ 2,853,435
Sewer.....	4,624,997
Parking.....	<u>1,632,848</u>
Total depreciation expense - business-type activities...	<u>\$ 9,111,280</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 551,950	\$ 551,950 (1)
Nonmajor governmental funds.....	3,295,448	65,102	3,360,550 (2)
Parking enterprise fund.....	-	20,000	20,000 (3)
Total.....	\$ 3,295,448	\$ 637,052	\$ 3,932,500

- (1) Transfers into nonmajor governmental funds from the general fund represent amounts voted for capital projects, note payments, and special revenue funds.
- (2) Transfers into the general fund represent amounts voted to fund 2019 operations from nonmajor funds. Transfers between nonmajor funds represent a reallocation of resources.
- (3) Transfers into the nonmajor funds from the enterprise funds represent amounts voted for special revenue.

NOTE 6 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).
- Current project costs and other approved expenditures incurred, that are approved to be reimbursed by the Commonwealth, and through the issuance of state aid anticipation notes (SAANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund or respective enterprise fund.

Details related to the short-term debt activity for the year ended June 30, 2019, was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Funds:							
SAAN	State Aid Anticipation.....	2.20%	8/10/18	\$ 214,000	\$ -	\$ (214,000)	\$ -
SAAN	State Aid Anticipation.....	4.00%	8/10/18	221,559	-	(221,559)	-
BAN	Municipal Purpose.....	4.00%	6/21/19	9,524,985	-	(9,524,985)	-
BAN	Municipal Purpose.....	2.25%	9/27/19	-	18,466,426	(16,221,399)	2,245,027 (A)
Total Governmental Funds.....				\$ 9,960,544	\$ 18,466,426	\$ (26,181,943)	\$ 2,245,027
Water Enterprise Fund:							
BAN	MCWT Interim Note.....	2.00%	4/13/19	\$ 7,026,466	\$ -	\$ (7,026,466)	\$ -
BAN	MCWT Interim Note.....	2.00%	4/13/19	3,335,786	-	(3,335,786)	-
BAN	Municipal Purpose.....	4.00%	6/21/19	839,661	-	(839,661)	-
BAN	Municipal Purpose.....	2.25%	9/27/19	-	2,089,661	(1,890,500)	199,161 (A)
Total Water Enterprise Fund.....				11,201,913	2,089,661	(13,092,413)	199,161
Sewer Enterprise Fund:							
BAN	MCWT Interim Note.....	2.00%	10/24/20	5,314,406	8,707,900	-	14,022,306
BAN	Municipal Purpose.....	4.00%	6/21/19	6,700,000	-	(6,700,000)	-
BAN	Municipal Purpose.....	2.25%	9/27/19	-	4,434,809	(40,101)	4,394,708 (A), (B)
Total Sewer Enterprise Fund.....				12,014,406	13,142,709	(6,740,101)	18,417,014
Parking Enterprise Fund:							
BAN	Municipal Purpose.....	4.00%	6/21/19	509,810	-	(509,810)	-
BAN	Municipal Purpose.....	2.25%	9/27/19	-	4,267,100	(3,500,000)	767,100 (A)
Total Parking Enterprise Fund.....				509,810	4,267,100	(4,009,810)	767,100
Total Enterprise Funds.....				\$ 23,726,129	\$ 19,499,470	\$ (23,842,324)	\$ 19,383,275

(A) On September 17, 2019, the City issued \$56.3 million of long-term bonds that included \$49.3 of general obligation bonds and \$7.0 million of refunding bonds. \$21.7 million of the general obligation bonds related to BANS outstanding at year end. Therefore, the City has recognized \$16.2 million of bond proceeds in the governmental funds and \$5.5 million in the various enterprise funds. Both the refunding proceeds and the remaining \$27.6 million of general obligation bonds will be recognized by the City in 2020. Of the \$19.4 million of BANS outstanding \$3.2 million was paid down in 2020 with available funds.

(B) On September 17, 2019, the City rolled the remaining \$4,388,667, after paydown of \$6,041 in 2020, into a new BAN with a maturity date of September 25, 2020, with an interest rate of 2.0%.

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness as of June 30, 2019, and the debt service requirements are as follows.

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2019
Schools.....	2039	2.00-6.00	\$ 16,812,935
General.....	2039	2.00-6.00	58,945,210
Cawley Stadium.....	2028	2.00-5.00	44,069
Section 108.....	2025	variable	1,020,000
Lowell Memorial Auditorium.....	2036	2.00-5.75	<u>1,780,633</u>
Total Bonds Payable.....			78,602,847
Add: Unamortized premium on bonds.....			<u>2,747,511</u>
Total Bonds Payable, net.....			<u>\$ 81,350,358</u>

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2020.....	\$ 7,964,847	4,033,265	\$ 11,998,112
2021.....	7,983,500	3,160,625	11,144,125
2022.....	7,866,500	2,775,125	10,641,625
2023.....	6,292,000	2,408,341	8,700,341
2024.....	5,316,500	2,104,815	7,421,315
2025.....	5,303,000	1,827,202	7,130,202
2026.....	4,805,000	1,557,641	6,362,641
2027.....	4,811,500	1,291,731	6,103,231
2028.....	4,525,000	1,031,476	5,556,476
2029.....	4,255,000	800,067	5,055,067
2030.....	4,135,000	612,163	4,747,163
2031.....	3,095,000	452,579	3,547,579
2032.....	2,685,000	354,088	3,039,088
2033.....	1,950,000	275,103	2,225,103
2034.....	1,710,000	214,606	1,924,606
2035.....	1,625,000	161,298	1,786,298
2036.....	1,535,000	111,602	1,646,602
2037.....	960,000	72,900	1,032,900
2038.....	995,000	49,922	1,044,922
2039.....	790,000	11,850	801,850
Total.....	<u>\$ 78,602,847</u>	<u>\$ 23,306,399</u>	<u>\$ 101,909,246</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2019, \$1,193,000 of such assistance was received. Approximately \$4,771,000 will be received in future years. Of this amount, approximately \$97,000 represents reimbursement of long-term interest costs, and approximately \$4,674,000 represents reimbursement of approved construction costs. Accordingly, a \$4,674,000 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

At June 30, 2019, the City carried \$1,020,000 of debt, issued in prior years, under the United States Department of Housing and Urban Development’s (HUD) Section 108 Loan Guarantee Program. The purpose of the program is to enable local governments to provide financing to urban renewal projects operated by either the government or third-party developers. Debt issued under this program is secured by future entitlement allocations to the City under HUD’s Community Development Block Grant (CDBG) Program. The City expects to receive \$1,020,000 in future years as debt repayments from developers who were the recipients of the loan funds. Accordingly a receivable of \$1,020,000 has been recorded in the nonmajor governmental funds. The balance of the debt represents an amount attributable to a City owned renewal project for which principal payments have been programmed to be made from CDBG funds over the next five years. After such time, the City expects to sell the property and repay any remaining debt associated with the City owned project. At June 30, 2019, the interest rate on this debt remains variable and is determined quarterly based on three-month London Interbank Offered Rate plus 20 basis points.

The City is scheduled to be subsidized directly by the Department of the Treasury on a periodic basis for interest costs in the amount of \$356,000 related to the issuance of Qualified Energy Conservation Bonds. Thus, net loan repayments, including interest, are scheduled to be \$1,807,000. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2019 interest subsidy totaled approximately \$62,000. Annual payments are subject to sequestration.

The City is scheduled to be subsidized directly by the Department of the Treasury on a periodic basis for interest costs in the amount of \$964,000 related to the issuance of Recovery Zone Economic Development Bonds. Thus, net loan repayments, including interest, are scheduled to be \$6,273,000. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2019 interest subsidy totaled approximately \$158,000. Annual payments are subject to sequestration.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2019
Sewer.....	2043	2.00-6.00	\$ 83,250,645
Water.....	2039	2.00-6.00	42,252,628
Parking.....	2044	4.00-5.00	27,691,300
Total Bonds Payable.....			153,194,573
Add: Unamortized premium on bonds.....			1,836,263
Total Bonds Payable, net.....			\$ 155,030,836

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2020.....	\$ 10,546,586	\$ 4,599,792	\$ 15,146,378
2021.....	10,848,491	4,167,715	15,016,206
2022.....	10,417,009	3,828,990	14,245,999
2023.....	10,404,177	3,458,325	13,862,502
2024.....	9,755,435	3,104,944	12,860,379
2025.....	9,975,838	2,776,533	12,752,371
2026.....	9,329,036	2,471,414	11,800,450
2027.....	9,250,117	2,168,391	11,418,508
2028.....	9,285,884	1,861,092	11,146,976
2029.....	6,806,917	1,607,377	8,414,294
2030.....	6,637,157	1,412,783	8,049,940
2031.....	6,505,907	1,225,250	7,731,157
2032.....	5,674,412	1,060,838	6,735,250
2033.....	5,587,123	911,140	6,498,263
2034.....	5,338,852	764,420	6,103,272
2035.....	5,163,271	626,627	5,789,898
2036.....	5,160,641	493,315	5,653,956
2037.....	4,219,171	373,094	4,592,265
2038.....	3,380,505	263,950	3,644,455
2039.....	3,026,018	183,155	3,209,173
2040.....	1,768,070	124,260	1,892,330
2041.....	1,813,041	80,403	1,893,444
2042.....	1,029,905	45,374	1,075,279
2043.....	1,057,324	19,383	1,076,707
2044.....	213,686	3,108	216,794
Total.....	\$ <u>153,194,573</u>	\$ <u>37,631,673</u>	\$ <u>190,826,246</u>

The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$948,000 and interest costs for \$427,000. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2019 principal and interest subsidies totaled approximately \$291,000 and \$209,000, respectively.

Authorized and Unissued Debt

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the City had the following authorized and unissued debt:

Purpose	Amount
High school construction.....	\$ 343,399,220
Parking garage.....	35,400,000
Sewer improvements.....	16,899,491
Water storage tank.....	15,000,000
Wet-weather treatment facility.....	15,000,000
Legal and engineering services.....	12,000,000
Wet-weather storage facility.....	10,000,000
All other projects.....	<u>112,789,017</u>
Total.....	<u>\$ 560,487,728</u>

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 68,608,448	\$ 16,221,399	\$ (6,227,000)	\$ -	\$ -	\$ 78,602,847	\$ 7,964,847
Add: Unamortized premium on bonds....	3,185,463	-	(437,952)	-	-	2,747,511	403,314
Total bonds payable.....	71,793,911	16,221,399	(6,664,952)	-	-	81,350,358	8,368,161
Compensated absences.....	11,946,680	-	-	7,933,406	(6,707,117)	13,172,969	7,511,689
Workers' compensation.....	3,075,500	-	-	1,259,500	(584,500)	3,750,500	630,600
Net pension liability.....	223,595,599	-	-	49,926,946	(16,630,901)	256,891,644	-
Net OPEB liability.....	590,344,362	-	-	91,374,520	(18,046,012)	663,672,870	-
Total governmental activity long-term liabilities.....	<u>\$ 900,756,052</u>	<u>\$ 16,221,399</u>	<u>\$ (6,664,952)</u>	<u>\$ 150,494,372</u>	<u>\$ (41,968,530)</u>	<u>\$ 1,018,838,341</u>	<u>\$ 16,510,450</u>
Business-Type Activities:							
Long-term bonds payable.....	\$ 148,190,422	\$ 14,826,401	\$ (9,822,250)	\$ -	\$ -	\$ 153,194,573	\$ 10,546,586
Add: Unamortized premium on bonds....	2,235,030	-	(398,767)	-	-	1,836,263	366,239
Total bonds payable.....	150,425,452	14,826,401	(10,221,017)	-	-	155,030,836	10,912,825
Compensated absences.....	538,986	-	-	430,449	(436,317)	533,118	369,402
Net pension liability.....	16,778,083	-	-	8,542,841	(2,146,888)	23,174,036	-
Net OPEB liability.....	19,702,943	-	-	14,594,226	(907,892)	33,389,277	-
Total business-type activity long-term liabilities.....	<u>\$ 187,445,464</u>	<u>\$ 14,826,401</u>	<u>\$ (10,221,017)</u>	<u>\$ 23,567,516</u>	<u>\$ (3,491,097)</u>	<u>\$ 212,127,267</u>	<u>\$ 11,282,227</u>

Compensated absences, workers' compensation, net pension liability and net other postemployment liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the water, sewer, and parking enterprise funds.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The City classifies fund balances according to constraints on the use of the resources. There are two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

Spendable fund balances are classified based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the City from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the City to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

The City's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Massachusetts General Law Ch.40 §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 a two-thirds vote of the legislative body.

At year end, the balance of the General Stabilization Fund is \$11,795,000 and is reported as unassigned fund balance within the General Fund. The Pension Assessment Stabilization, School Construction Stabilization, Capital Debt Service Stabilization, Employee Benefits and Mitigation, Salary Reserve Stabilization, and Municipal Facility Stabilization funds, reported as committed fund balance within the General Fund, have year end balances of \$9,000, \$2,000, \$359,000, \$786,000, \$1,000,000, and \$10,000 respectively.

As of June 30, 2019, fund balances consisted of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 1,847,352	\$ 1,847,352
Restricted for:			
Chapter 17 special reserve.....	1,150	-	1,150
Gifts and grants.....	-	8,452,150	8,452,150
Section 108.....	-	1,212,051	1,212,051
Sale of City property.....	-	4,955	4,955
Revolving.....	-	3,620,227	3,620,227
Capital projects.....	-	3,458,966	3,458,966
Expendable permanent funds.....	-	353,343	353,343
Committed to:			
Salary reserve stabilization.....	1,000,009	-	1,000,009
Employee benefits and mitigation.....	785,996	-	785,996
Capital debt service stabilization.....	359,348	-	359,348
Pension assessment stabilization.....	9,005	-	9,005
School construction stabilization.....	2,157	-	2,157
Municipal facilities stabilization.....	10,262	-	10,262
Assigned to:			
Encumbrances:			
General government.....	24,811	-	24,811
Education.....	27,247	-	27,247
Public works.....	14,571	-	14,571
Unassigned.....	<u>21,937,328</u>	<u>(566,411)</u>	<u>21,370,917</u>
Total Fund Balances.....	<u>\$ 24,171,884</u>	<u>\$ 18,382,633</u>	<u>\$ 42,554,517</u>

NOTE 9 - RISK FINANCING

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters for which the City carries commercial insurance. The City discontinued a self-insurance health insurance plan and joined the Group Insurance Commission of the Commonwealth of Massachusetts (GIC) to provide health insurance benefits for its employees and retirees. The amount of claim settlements has not exceeded insurance coverage in any of the previous years.

The City is self-insured for its workers' compensation. The workers' compensation activities are accounted for in the general fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Workers' Compensation - Workers' compensation claims are administered by the City's Law Department and are funded on a pay-as-you-go basis from annual appropriations. The City handles all administration related to the workers' compensation program.

The City has recorded a liability of \$3.8 million at June 30, 2019, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2017, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2018.....	\$ 2,988,300	\$ 941,988	\$ (854,788)	\$ 3,075,500	\$ 584,500
2019.....	3,075,500	2,068,737	(1,393,737)	3,750,500	630,600

NOTE 10 - PENSION PLAN

Plan Descriptions

The City is a member of the Lowell Contributory Retirement System (LCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 3 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$35,253,246 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the City is \$347,886,364 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive)

preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no reported changes in pension benefit terms that effect measurement of the total pension liability as of December 31, 2018.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2018, the LCRS membership consists of the following:

Active members.....	1,746
Inactive members.....	348
Retirees and beneficiaries currently receiving benefits....	<u>1,255</u>
Total.....	<u><u>3,349</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the LCRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2018, was \$27,448,818, 28.62% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$25,945,831, which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2019, were as follows:

Total pension liability.....	\$ 664,270,790
Total pension plan's fiduciary net position.....	<u>(367,981,493)</u>
Total net pension liability.....	<u><u>\$ 296,289,297</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	55.40%

At June 30, 2019, the City reported a liability of \$280,065,680 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. 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 members. At December 31, 2018, the City's proportion was 94.52%, which increased from its proportion of 93.29% in the prior year.

Pension Expense

For the year ended June 30, 2019, the City recognized a pension expense of \$37,182,736. At June 30, 2019, the City reported deferred outflows of resources related to pensions of \$38,398,622 and deferred inflows of resources related to pensions of \$10,311,372.

The balances of deferred outflows and inflows at June 30, 2019, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,847,859	\$ (9,565,993)	\$ (7,718,134)
Difference between projected and actual earnings, net.....	17,671,854	-	17,671,854
Changes in assumptions.....	15,459,527	-	15,459,527
Changes in proportion and proportionate share of contributions....	3,419,382	(745,379)	2,674,003
Total deferred outflows/(inflows) of resources.....	\$ 38,398,622	\$ (10,311,372)	\$ 28,087,250

The deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020.....	\$ 11,963,502
2021.....	7,472,853
2022.....	1,431,571
2023.....	6,540,024
2024.....	647,034
Thereafter.....	32,266
Total deferred outflows/(inflows) of resources.....	\$ 28,087,250

Actuarial Assumptions

The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2018:

Valuation date.....	1/1/2019
Actuarial cost method.....	Entry Age Normal.
Amortization method - UAAL.....	Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2036, with annual increases in appropriations limited to 5%.
Amortization method - 2003 ERI Actuarial Liability.....	Level dollar amount to reduce the 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2020.
Asset valuation method.....	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year, c) 40% of gains and losses of the third prior year and d) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.
Investment rate of return.....	7.65%, net of pension plan investment expense, including inflation.
Discount rate.....	7.65%
Inflation rate.....	3% per year.
Projected salary increases.....	6% - 4.25% for Group 1 (based on service) 7% - 4.75% for Group 4 (based on service)
Payroll growth.....	4% per year.
Cost of living adjustments.....	3% of the first \$17,000 of the annual retirement allowance.
Mortality rates.....	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Investment policy

The System's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan 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 System’s target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity.....	39.00%	4.75%
Fixed income.....	23.00%	2.28%
Private equity.....	13.00%	8.15%
Real estate.....	10.00%	3.43%
Timber/natural resources.....	4.00%	4.00%
Hedge fund and portfolio completion....	11.00%	3.76%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount (7.65%)	1% Increase (8.65%)
	December 31, 2018 Measurement Date		
The City's proportionate share of the net pension liability.....	\$ 350,668,721	\$ 280,065,680	\$ 220,320,343
LCRS total net pension liability.....	\$ 370,982,224	\$ 296,289,297	\$ 233,083,037

Non-contributory Retirement Allowance

City employees with military veteran status and at least 30 years of service to the City, who began work prior to July 1, 1939, and others meeting eligibility criteria are entitled to a non-contributory pension benefit equal to 72% of their highest rate of pay. Employees covered by this section of the plan are not included in the actuarial valuation and there is no available estimate of the related actuarial liability. The City funds these benefits from an annual general fund appropriation. The general fund expenditure for 2019 was \$33,000.

Changes in Assumptions

The investment return rate was decreased from 7.75% to 7.65%.

Changes in Plan Provisions

None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The City of Lowell administers a single-employer defined benefit healthcare plan (“Plan”). The Plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The City contributes 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For 2019, the City contributed \$19,205,267 to the plan. For the year ended June 30, 2019, the City’s average contribution rate was 9.95% of covered employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. As of June 30, 2019, the net position of the OPEB trust fund totaled \$9.9 million.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Measurement Date

GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Plan Membership

The following table represents the Plan's membership at July 1, 2018:

Active members.....	2,886
Inactive members currently receiving benefits....	<u>2,295</u>
Total.....	<u><u>5,181</u></u>

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 706,929,377
Less: OPEB plan's fiduciary net position.....	<u>(9,867,230)</u>
Net OPEB liability.....	<u><u>\$ 697,062,147</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..	1.40%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019:

Valuation date.....	July 1, 2018.
Actuarial cost method.....	Entry age normal as a percentage of payroll.
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2019.
Investment rate of return.....	3.1%.
Discount rate.....	3.1%.
Inflation rate.....	Assumed 2.0%.
Projected salary increases.....	3.0% per year.
Healthcare cost trend rate.....	8.0%, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later.

Mortality rates..... RP 2014 Healthy Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 4.5 years, (i.e., from date of table to the valuation date), plus 10 years generational improvement for a total of 14.5 years.

Rate of return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment policy

The City’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the City’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using an average of three 20-year bond indices, Bond Buyer-20 Bond GO – 3.50%, S&P Municipal Bond 20 Year High Grade Rate Index – 2.79%, and Fidelity GA AA 20 Years – 3.13% as of June 30, 2019. The Plan’s expected future real rate of return of 3.10% is added to the expected inflation of 2.00% to produce the long-term expected nominal rate of return of 5.10%.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	25.00%	5.92%
International equity.....	10.00%	2.73%
Domestic bond.....	35.00%	3.69%
International bond.....	10.00%	3.80%
Alternatives.....	20.00%	3.50%
Total.....	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total OPEB liability was 3.10% as of June 30, 2019. The City’s net other postemployment benefits liability was determined based on an average of three 20-year bond indices (e.g. Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years). Due to the low value of the OPEB trust compared to the City’s liability, the Plan fiduciary net position is not projected to satisfy future benefit payments and, accordingly, the Municipal Bond Rate was applied rather than the projected investment return.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 618,764,027	\$ 8,716,722	\$ 610,047,305
Changes for the year:			
Service cost.....	11,525,661	-	11,525,661
Interest.....	21,190,499	-	21,190,499
Changes in assumptions and other inputs....	74,151,731	-	74,151,731
Benefit payments.....	(18,702,541)	(18,702,541)	-
Contributions from Employer.....	-	18,953,904	(18,953,904)
Net Investment Income.....	-	899,145	(899,145)
Net change.....	<u>88,165,350</u>	<u>1,150,508</u>	<u>87,014,842</u>
Balances at June 30, 2019.....	<u>\$ 706,929,377</u>	<u>\$ 9,867,230</u>	<u>\$ 697,062,147</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.10%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (2.10%) or 1-percentage-point higher (4.10%) than the current rate.

	1% Decrease (2.10%)	Current Discount Rate (3.10%)	1% Increase (4.10%)
Net OPEB liability... \$	<u>899,717,453</u>	<u>697,062,147</u>	<u>556,910,956</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.... \$	<u>564,462,845</u>	<u>697,062,147</u>	<u>898,653,857</u>

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

For the year ended June 30, 2019, the GASB Statement #75 measurement date, the City recognized OPEB expense of \$38,558,081 and reported deferred outflows of resources related to OPEB of \$67,410,665 from changes in assumptions.

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

<u>Year ended June 30:</u>	
2019.....	\$ 6,741,066
2020.....	6,741,066
2021.....	6,741,066
2022.....	6,741,066
2023.....	6,741,066
Thereafter.....	<u>33,705,335</u>
Total deferred outflows of resources.....	\$ <u>67,410,665</u>

Changes of Assumptions:

The discount rate decreased from 3.50% to 3.10%.

Changes in Plan Provisions:

None.

NOTE 12 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Benefit Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Employee Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 11,070,104	\$ 41,295	\$ 11,111,399
Investments:			
Investments in Pension Reserve Investment Trust...	356,475,342	-	356,475,342
Equity securities.....	418,618	397,788	816,406
Equity mutual funds.....	-	6,365,714	6,365,714
Bond mutual funds.....	-	3,062,433	3,062,433
Receivables, net of allowance for uncollectibles:			
Interest and dividends.....	<u>17,429</u>	<u>-</u>	<u>17,429</u>
TOTAL ASSETS.....	<u>367,981,493</u>	<u>9,867,230</u>	<u>377,848,723</u>
NET POSITION			
Restricted for pensions.....	367,981,493	-	367,981,493
Restricted for other postemployment benefits.....	<u>-</u>	<u>9,867,230</u>	<u>9,867,230</u>
TOTAL NET POSITION.....	<u>\$ 367,981,493</u>	<u>\$ 9,867,230</u>	<u>\$ 377,848,723</u>

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 27,448,818	\$ 251,363	\$ 27,700,181
Employer contributions for other postemployment benefit payments....	-	18,953,904	18,953,904
Member contributions.....	9,435,776	-	9,435,776
Transfers from other systems.....	973,481	-	973,481
3(8)c contributions from other systems.....	663,348	-	663,348
Workers compensation settlements.....	8,000	-	8,000
State COLA reimbursements.....	670,662	-	670,662
	<u>39,200,085</u>	<u>19,205,267</u>	<u>58,405,352</u>
Total contributions.....			
Net investment income:			
Investment income (loss).....	(6,694,357)	899,145	(5,795,212)
Less: investment expense.....	(1,999,732)	-	(1,999,732)
	<u>(8,694,089)</u>	<u>899,145</u>	<u>(7,794,944)</u>
Net investment income (loss).....			
	<u>30,505,996</u>	<u>20,104,412</u>	<u>50,610,408</u>
TOTAL ADDITIONS.....			
DEDUCTIONS:			
Administration.....	347,172	-	347,172
Transfers to other systems.....	1,097,527	-	1,097,527
3(8)c transfer to other systems.....	1,433,590	-	1,433,590
Retirement benefits and refunds.....	39,236,589	-	39,236,589
Other postemployment benefit payments.....	-	18,953,904	18,953,904
	<u>42,114,878</u>	<u>18,953,904</u>	<u>61,068,782</u>
TOTAL DEDUCTIONS.....			
	(11,608,882)	1,150,508	(10,458,374)
NET INCREASE (DECREASE) IN NET POSITION.....			
	<u>379,590,375</u>	<u>8,716,722</u>	<u>388,307,097</u>
NET POSITION AT BEGINNING OF YEAR.....			
	<u>\$ 367,981,493</u>	<u>\$ 9,867,230</u>	<u>\$ 377,848,723</u>
NET POSITION AT END OF YEAR.....			

NOTE 13 - COMMITMENTS

The City has entered into, or is planning to enter into, contracts totaling approximately \$560.5 million for high school construction, sewer projects, water projects, energy improvement projects, parking garage design, and various other capital projects. These projects will be funded through the issuance of long-term debt, state grants, and federal grants.

NOTE 14 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various other legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2020, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 132,675,395	\$ 132,675,395	\$ 132,685,808
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	8,752,000	8,752,000	8,752,000
Hotel/motel tax.....	-	340,000	340,000	340,000
Meals tax.....	-	1,350,000	1,350,000	1,350,000
Trash disposal.....	-	3,184,930	3,184,930	3,184,930
Penalties and interest on taxes.....	-	1,324,254	1,324,254	1,324,254
Payments in lieu of taxes.....	-	560,602	560,602	560,602
Intergovernmental - state aid.....	-	180,350,894	180,350,894	181,230,461
Intergovernmental - School Building Authority.....	-	1,192,794	1,192,794	1,192,794
Intergovernmental - other.....	-	-	-	-
Departmental and other.....	-	7,870,460	7,870,460	8,013,436
Investment income.....	-	300,000	300,000	300,000
TOTAL REVENUES.....	-	337,901,329	337,901,329	338,934,285
EXPENDITURES:				
Current:				
General government.....	87,878	18,570,600	18,658,478	17,946,123
Public safety.....	72,486	48,333,497	48,405,983	48,512,658
Education.....	131,477	158,281,956	158,413,433	158,900,695
Public works.....	76,765	13,522,822	13,599,587	14,042,359
Health and human services.....	2,482	3,834,436	3,836,918	3,872,223
Culture and recreation.....	6,724	4,266,784	4,273,508	4,264,269
Pension benefits.....	-	25,980,831	25,980,831	25,963,165
Employee benefits.....	-	43,723,310	43,723,310	43,905,325
State and county charges.....	-	26,755,700	26,755,700	26,755,700
Debt service:				
Principal.....	-	6,178,140	6,178,140	6,057,000
Interest.....	-	3,264,704	3,264,704	3,417,847
TOTAL EXPENDITURES.....	377,812	352,712,780	353,090,592	353,637,364
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(377,812)	(14,811,451)	(15,189,263)	(14,703,079)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	14,811,451	14,811,451	15,601,899
Transfers out.....	-	-	-	(3,553,945)
TOTAL OTHER FINANCING SOURCES (USES).....	-	14,811,451	14,811,451	12,047,954
NET CHANGE IN FUND BALANCE.....	(377,812)	-	(377,812)	(2,655,125)
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,770,698	4,770,698	4,770,698
BUDGETARY FUND BALANCE, End of year.....	\$ (377,812)	\$ 4,770,698	\$ 4,392,886	\$ 2,115,573

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	131,629,761	\$ -	\$ (1,056,047)
	737,817	-	737,817
	9,745,497	-	993,497
	346,888	-	6,888
	1,292,366	-	(57,634)
	3,097,008	-	(87,922)
	1,247,038	-	(77,216)
	465,612	-	(94,990)
	181,484,487	-	254,026
	1,192,791	-	(3)
	806,717	-	806,717
	9,472,922	-	1,459,486
	738,015	-	438,015
	<u>342,256,919</u>	<u>-</u>	<u>3,322,634</u>
	16,904,469	24,811	1,016,843
	47,708,808	-	803,850
	158,307,594	27,247	565,854
	13,597,831	14,571	429,957
	3,705,026	-	167,197
	4,009,598	-	254,671
	25,934,207	-	28,958
	43,952,231	-	(46,906)
	25,253,169	-	1,502,531
	6,057,000	-	-
	3,457,529	-	(39,682)
	<u>348,887,462</u>	<u>66,629</u>	<u>4,683,273</u>
	<u>(6,630,543)</u>	<u>(66,629)</u>	<u>8,005,907</u>
	15,601,899	-	-
	<u>(3,632,773)</u>	<u>-</u>	<u>(78,828)</u>
	<u>11,969,126</u>	<u>-</u>	<u>(78,828)</u>
	5,338,583	(66,629)	7,927,079
	<u>4,770,698</u>	<u>-</u>	<u>-</u>
\$	<u>10,109,281</u>	<u>(66,629)</u>	<u>7,927,079</u>

Pension Plan Schedules - Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LOWELL CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Total pension liability:					
Service cost.....	\$ 12,776,431	\$ 12,776,431	\$ 15,389,829	\$ 14,902,167	\$ 15,498,254
Interest.....	39,817,736	42,298,799	45,581,124	47,847,969	49,064,991
Changes in benefit terms.....	-	-	5,820,520	-	-
Differences between expected and actual experience.....	-	5,750,829	-	(8,810,808)	(5,025,406)
Changes in assumptions.....	-	31,423,849	-	-	6,798,633
Benefit payments.....	<u>(33,577,831)</u>	<u>(35,136,789)</u>	<u>(35,772,737)</u>	<u>(38,335,654)</u>	<u>(39,328,169)</u>
Net change in total pension liability.....	19,016,336	57,113,119	31,018,736	15,603,674	27,008,303
Total pension liability - beginning.....	<u>514,510,622</u>	<u>533,526,958</u>	<u>590,640,077</u>	<u>621,658,813</u>	<u>637,262,487</u>
Total pension liability - ending (a).....	<u>\$ 533,526,958</u>	<u>\$ 590,640,077</u>	<u>\$ 621,658,813</u>	<u>\$ 637,262,487</u>	<u>\$ 664,270,790</u>
Plan fiduciary net position:					
Employer contributions.....	\$ 21,880,170	\$ 21,837,654	\$ 24,701,289	\$ 26,141,731	\$ 27,448,818
Member contributions.....	8,983,678	8,903,043	8,204,174	8,451,653	9,311,730
Net investment income (loss).....	21,617,178	1,213,427	21,730,686	54,289,195	(8,694,089)
Administrative expenses.....	(358,770)	(355,999)	(367,634)	(381,369)	(347,172)
Retirement benefits and refunds.....	<u>(33,577,831)</u>	<u>(35,136,789)</u>	<u>(35,772,737)</u>	<u>(38,335,654)</u>	<u>(39,328,169)</u>
Net increase (decrease) in fiduciary net position.....	18,544,425	(3,538,664)	18,495,778	50,165,556	(11,608,882)
Fiduciary net position - beginning of year.....	<u>295,923,280</u>	<u>314,467,705</u>	<u>310,929,041</u>	<u>329,424,819</u>	<u>379,590,375</u>
Fiduciary net position - end of year (b).....	<u>\$ 314,467,705</u>	<u>\$ 310,929,041</u>	<u>\$ 329,424,819</u>	<u>\$ 379,590,375</u>	<u>\$ 367,981,493</u>
Net pension liability - ending (a)-(b).....	<u>\$ 219,059,253</u>	<u>\$ 279,711,036</u>	<u>\$ 292,233,994</u>	<u>\$ 257,672,112</u>	<u>\$ 296,289,297</u>
Plan fiduciary net position as a percentage of the total pension liability.....	58.94%	52.64%	52.99%	59.57%	55.40%
Covered payroll.....	\$ 80,555,739	\$ 89,520,851	\$ 92,654,081	\$ 93,366,659	\$ 95,896,286
Net pension liability as a percentage of covered payroll.....	271.94%	312.45%	315.40%	275.98%	308.97%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
LOWELL CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2018.....	\$ 27,448,818	\$ (27,448,818)	\$ -	\$ 95,896,286	28.62%
December 31, 2017.....	26,141,731	(26,141,731)	-	93,366,659	28.00%
December 31, 2016.....	24,701,289	(24,701,289)	-	92,654,081	26.66%
December 31, 2015.....	21,837,654	(21,837,654)	-	89,520,851	24.39%
December 31, 2014.....	21,880,170	(21,880,170)	-	80,555,739	27.16%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
LOWELL CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2018.....	-2.29%
December 31, 2017.....	16.63%
December 31, 2016.....	7.01%
December 31, 2015.....	0.48%
December 31, 2014.....	7.81%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Pension Plan Schedules – City

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of the City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LOWELL CONTRIBUTORY RETIREMENT SYSTEM**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2018.....	94.52%	\$ 280,065,680	\$ 90,637,128	309.00%	55.40%
December 31, 2017.....	93.29%	240,373,682	88,302,128	272.22%	59.57%
December 31, 2016.....	93.50%	273,236,913	87,048,509	313.89%	52.99%
December 31, 2015.....	93.47%	261,434,717	84,104,839	310.84%	52.64%
December 31, 2014.....	93.01%	203,753,583	74,927,309	271.94%	58.94%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
LOWELL CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019.....	\$ 25,945,831	\$ (25,945,831)	\$ -	\$ 91,543,499	28.34%
June 30, 2018.....	24,386,745	(24,386,745)	-	89,185,149	27.34%
June 30, 2017.....	23,095,548	(23,095,548)	-	87,918,994	26.27%
June 30, 2016.....	20,410,761	(20,410,761)	-	84,945,887	24.03%
June 30, 2015.....	20,351,365	(20,351,365)	-	75,676,582	26.89%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 347,886,364	\$ 35,253,246	54.84%
2018.....	345,205,049	36,030,056	54.25%
2017.....	322,999,676	32,948,084	52.73%
2016.....	303,469,832	24,614,104	55.38%
2015.....	240,400,372	16,701,768	61.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the City's Contributions presents multi-year trend information on the City's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment benefit plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
CITY'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 10,192,342	\$ 10,498,112	\$ 11,525,661
Interest.....	17,960,577	20,887,779	21,190,499
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience.....	-	-	-
Changes of assumptions.....	73,907,164	-	74,151,731
Benefit payments.....	<u>(18,020,360)</u>	<u>(18,831,118)</u>	<u>(18,702,541)</u>
Net change in total OPEB liability.....	84,039,723	12,554,773	88,165,350
Total OPEB liability - beginning.....	<u>522,169,531</u>	<u>606,209,254</u>	<u>618,764,027</u>
Total OPEB liability - ending (a).....	<u>\$ 606,209,254</u>	<u>\$ 618,764,027</u>	<u>\$ 706,929,377</u>
Plan fiduciary net position			
Employer contributions.....	\$ -	\$ -	\$ 251,363
Employer contributions for OPEB payments.....	18,020,360	18,831,118	18,953,904
Net investment income.....	288,646	395,691	899,145
Benefit payments.....	<u>(18,020,360)</u>	<u>(18,831,118)</u>	<u>(18,953,904)</u>
Net change in plan fiduciary net position.....	288,646	395,691	1,150,508
Plan fiduciary net position - beginning of year.....	<u>8,032,385</u>	<u>8,321,031</u>	<u>8,716,722</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 8,321,031</u>	<u>\$ 8,716,722</u>	<u>\$ 9,867,230</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 597,888,223</u>	<u>\$ 610,047,305</u>	<u>\$ 697,062,147</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.37%	1.41%	1.40%
Covered-employee payroll.....	\$ 185,336,940	\$ 185,336,940	\$ 193,066,083
Net OPEB liability as a percentage of covered-employee payroll.....	322.60%	329.16%	361.05%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2019.....	\$ 47,336,248	\$ (19,205,267)	\$ 28,130,981	\$ 193,066,083	9.95%
June 30, 2018.....	43,006,034	(18,831,118)	24,174,916	185,336,940	10.16%
June 30, 2017.....	42,029,149	(18,020,360)	24,008,789	185,336,940	9.72%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2019.....	6.07%
June 30, 2018.....	4.76%
June 30, 2017.....	3.59%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the City to adopt a balanced budget that is approved by the City Council (the "Council"). The City Manager presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires two-thirds vote or a majority Council, respectively, and the City Manager's approval via a supplemental appropriation or Council order.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2019 approved budget authorizing approximately \$352.7 million in current year appropriations, other financing uses, and other amounts to be raised and approximately \$378,000 in encumbrances and appropriations carried over from previous years. During 2019, the Council also approved a net increase in appropriations of \$4.1 million.

The City Auditor's Office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the City's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting.

A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019, is as follows:

Net change in fund balance - budgetary basis.....	\$	5,338,583
<u>Perspective differences:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		81,915
Activity of the employee benefit trust fund recorded in the general fund for GAAP.....		(522,487)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		261,800
Net change in recording 60 day receipts.....		(341,765)
Recognition of revenue for on-behalf payments.....		35,253,246
Recognition of expenditures for on-behalf payments.....		<u>(35,253,246)</u>
Net change in fund balance - GAAP basis.....	\$	<u>4,818,046</u>

C. Appropriation Deficits

During 2019 expenditures exceeded the budget for employee benefits and debt service interest, the City will raise these deficits in the next fiscal year.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan’s net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the “total appropriation”. The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Returns

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules - City

A. Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

The investment return rate was decreased from 7.75% to 7.65%.

E. Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City of Lowell administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City's health insurance plan, which covers both active and retired members.

Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

The Other Postemployment Benefit Plan

A. Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered-employee payroll.

B. Schedule of the City’s Contributions

The Schedule of the City’s Contributions includes the City’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2018.
Actuarial cost method.....	Entry age normal as a percentage of payroll.
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2019.
Investment rate of return.....	3.1%.
Discount rate.....	3.1%.
Inflation rate.....	Assumed 2.0%.
Projected salary increases.....	3.0% per year.
Healthcare cost trend rate.....	8.0%, decreasing by 0.5% per year to an ultimate rate of 5.0% for 2026 and later.
Mortality rates.....	RP 2014 Healthy Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 4.5 years, (i.e., from date of table to the valuation date), plus 10 years generational improvement for a total of 14.5 years.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes of Assumptions:

The discount rate was decreased from 3.50% to 3.10%.

E. Changes in Provisions:

None.