



**Powers &  
Sullivan, LLC**  
CPAs AND ADVISORS

***CITY OF LOWELL, MASSACHUSETTS***

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

***FOR THE YEAR ENDED JUNE 30, 2022***

CITY OF LOWELL, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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, 2022 (except for the Lowell Contributory Retirement system which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the City of Lowell, Massachusetts' basic financial statements as listed in the table of contents.

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, 2022 (except for the Lowell Contributory Retirement System which is as of and for the year ended December 31, 2021), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Change in Accounting Principle**

As discussed in Note 6 to the financial statements, during the year ending June 30, 2022, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lowell, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lowell, Massachusetts' ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the City of Lowell, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lowell, Massachusetts' 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, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive style.

March 29, 2023

# ***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, 2022. 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 \$530.7 million, at the close of 2022, an overall increase of \$28.6 million from the prior year.
- Governmental net position increased by \$36.2 million. The increase is attributable to the receipt of \$42.3 million in capital grants mostly related to Massachusetts School Business Administration grants related to the high school project, a decrease in the net pension liability and its associated deferred inflows/outflows of \$23.6 million. These increases were offset by a \$24.7 million increase in the other postemployment benefits liability and its associated deferred inflows/outflows, and a \$4.1 million increase in the compensated absence accrual.
- Business-type activities experienced a combined \$7.5 million decrease in net position, primarily due to the \$12.1 million increase of the net pension liability and its associated deferred outflows/inflows, offset by the receipt of \$6.0 million of transfers in from the general fund.
- Overall governmental long-term debt increased by \$36.4 million and business-type long-term debt decreased by \$11.6 million, net of premiums. See Note 8 for more information on the City's long-term debt.
- The City implemented GASB Statement No. 87, *Leases*, during the year. This statement redefines a lease as a right to use another entity's asset over a definitive period of time and required the City to record leases that were previously classified as operating leases in the amount of approximately \$6.7 million. No restatement of beginning net position was required. See Note 6 for more information.

#### **Fund Financial Statements**

- As of the close of the current year, the City's governmental funds reported combined ending fund balance of \$121.3 million, an increase of \$20.5 million in comparison with the prior year.
- In order to take advantage of favorable interest rates, the City issued \$3.9 million of general obligation state qualified refunding bonds on December 16, 2021, and \$2.6 million of general obligation refunding bonds on September 15, 2021. See Note 8 for more information.
- The City issued \$43.6 million of general obligation bonds on July 20, 2022, \$23.1 million related to bond anticipation notes outstanding at year end. As such, the City has recognized bond proceeds in the governmental funds. See Note 8 for more information.
- The City incurred \$9.2 million of expenses related to the COVID-19 pandemic, which will be funded by grants from the State and Federal Government. These expenditures can be seen within the COVID-19 Grant major fund.

## **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 610 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, except the major special revenue and capital project funds, are combined into a single, aggregate presentation under the caption *nonmajor governmental funds*. The general fund, COVID-19 grant fund, and the high school construction fund are the major governmental funds 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. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements. The City's health insurance activities are premium based through the Group Insurance Commission since 2013. The City is working to determine the best way to spend down this fund for health-related costs.

**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 two classifications: pension and other employee benefits trust funds, and the private purpose trust fund. The private purpose trust fund is used to account for trust arrangements that benefit individuals, private organizations, or other governments.

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. The current year additions included the City's contribution and 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 \$530.7 million at the close of 2022, an overall increase of \$28.6 million from the prior year.

Net position of \$365.2 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, \$30.8 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 \$926.7 million, reflects the impact of the \$643.9 million net other postemployment benefit liability and the \$223.9 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 \$573.6 million at the close of 2022.

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current assets.....	\$ 251,736,613	\$ 185,069,790
Noncurrent assets (excluding capital).....	-	1,168,455
Capital assets, non depreciable.....	149,558,132	101,442,351
Capital assets, net of accumulated depreciation...	<u>268,735,252</u>	<u>255,415,035</u>
<b>Total assets.....</b>	<b><u>670,029,997</u></b>	<b><u>543,095,631</u></b>
 <b>Deferred outflows of resources.....</b>	 <b><u>152,527,007</u></b>	 <b><u>200,950,119</u></b>
 <b>Liabilities:</b>		
Current liabilities (excluding debt).....	109,893,133	65,593,279
Noncurrent liabilities (excluding debt).....	844,620,899	1,137,851,845
Current debt.....	10,134,468	9,621,495
Noncurrent debt.....	<u>157,023,748</u>	<u>114,314,769</u>
<b>Total liabilities.....</b>	<b><u>1,121,672,248</u></b>	<b><u>1,327,381,388</u></b>
 <b>Deferred inflows of resources.....</b>	 <b><u>274,527,931</u></b>	 <b><u>26,492,297</u></b>
 <b>Net position:</b>		
Net investment in capital assets.....	285,953,437	255,466,687
Restricted.....	30,777,847	24,462,992
Unrestricted.....	<u>(890,374,459)</u>	<u>(889,757,614)</u>
 <b>Total net position.....</b>	 <b><u>\$ (573,643,175)</u></b>	 <b><u>\$ (609,827,935)</u></b>

A significant portion of the City’s governmental activities net position, \$286.0 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 \$30.8 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 \$890.4 million is due to the recognition of the net pension liability of \$197.7 million and the net OPEB liability of \$626.5 million.

Governmental activity liabilities include \$160.3 million in general obligation bonds, \$20.5 million in liabilities for unused vacation, special leave, and enhanced longevity benefits; \$5.7 million in future workers' compensation benefits, \$6.7 million in right to use lease liabilities, and a \$5 million reserve for future legal settlements.

The key elements of governmental activities are as follows:

	<u>2022</u>	<u>2021</u>
<b>Program Revenues:</b>		
Charges for services..... \$	20,954,016	\$ 18,279,922
Operating grants and contributions.....	287,164,081	294,462,326
Capital grants and contributions.....	42,272,360	42,431,088
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	151,657,267	143,676,056
Tax and other liens.....	380,237	912,703
Motor vehicle and other excise taxes.....	10,328,804	9,998,448
Hotel/motel tax.....	109,798	48,093
Meals tax.....	1,470,028	1,171,773
Community preservation tax.....	854,538	755,168
Penalties and interest on taxes.....	1,405,928	1,511,353
Payments in lieu of taxes.....	440,600	467,544
Grants and contributions not restricted to specific programs.....	29,497,708	27,701,308
Unrestricted investment income.....	380,784	724,386
Gain on sale of assets.....	100,000	1,933,206
Miscellaneous.....	435,925	337,288
<b>Total revenues.....</b>	<b><u>547,452,074</u></b>	<b><u>544,410,662</u></b>
<b>Expenses:</b>		
General government.....	19,517,481	31,023,379
Public safety.....	79,449,946	103,765,394
Education.....	359,937,758	366,243,384
Public works.....	19,600,695	20,262,012
Human services.....	16,567,660	19,517,128
Culture and recreation.....	7,015,070	8,033,677
Interest.....	3,198,704	3,010,391
<b>Total expenses.....</b>	<b><u>505,287,314</u></b>	<b><u>551,855,365</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>42,164,760</b>	<b>(7,444,703)</b>
<b>Transfers.....</b>	<b><u>(5,980,000)</u></b>	<b><u>(202,356)</u></b>
<b>Change in net position.....</b>	<b>36,184,760</b>	<b>(7,647,059)</b>
<b>Net position, beginning of year.....</b>	<b><u>(609,827,935)</u></b>	<b><u>(602,180,876)</u></b>
<b>Net position, end of year..... \$</b>	<b><u>(573,643,175)</u></b>	<b><u>(609,827,935)</u></b>

The \$36.2 million increase in net position is attributable to the receipt of \$42.3 million in capital grants mostly related to Massachusetts School Business Administration grants related to the high school project, a decrease in the net pension liability and its associated deferred inflows/outflows of \$23.6 million. These increases were offset by a \$24.7 million increase in the other postemployment benefits liability and its associated deferred inflows/outflows, and a \$4.1 million increase in the compensated absence accrual.

Revenues increased \$3.0 million over the prior year, primarily due to real estate and personal property taxes which was in line with the City's budget. Operating grants and contributions decreased \$7.3 million as the State's on behalf payment to Massachusetts Teachers Retirement System (MTRS) decreased \$24.4 million, while State aid for education increased \$11.6 million

Expenditures decreased \$46.6 million, \$24.4 million of which related to the MTRS on-behalf payment. Other decreases related to one-time grants provided in fiscal year 2021 as a result of the COVID-19 pandemic, such as CARE's.

**Business-type Activities**

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

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current assets.....	\$ 32,953,459	\$ 34,161,178
Capital assets, non depreciable.....	9,365,469	37,155,120
Capital assets, net of accumulated depreciation....	<u>258,418,910</u>	<u>234,410,829</u>
<b>Total assets.....</b>	<b><u>300,737,838</u></b>	<b><u>305,727,127</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>7,029,347</u></b>	<b><u>6,973,513</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,266,524	5,188,618
Noncurrent liabilities (excluding debt).....	43,942,713	42,545,708
Current debt.....	16,875,473	12,825,438
Noncurrent debt.....	<u>177,674,003</u>	<u>189,297,153</u>
<b>Total liabilities.....</b>	<b><u>243,758,713</u></b>	<b><u>249,856,917</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>21,060,818</u></b>	<b><u>12,349,220</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	79,256,219	74,417,763
Unrestricted.....	<u>(36,308,565)</u>	<u>(23,923,260)</u>
<b>Total net position.....</b>	<b><u>\$ 42,947,654</u></b>	<b><u>\$ 50,494,503</u></b>

Business type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42.9 million at the close of 2022.

Net position of \$79.3 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 \$36.3 million is due to the net pension liability of \$26.2 million and the net OPEB liability of \$17.4 million.

	2022	2021
<b>Program Revenues:</b>		
Charges for services.....	\$ 44,802,070	\$ 43,917,566
Capital grants and contributions.....	271,149	1,200,417
<b>Total revenues.....</b>	<b>45,073,219</b>	<b>45,117,983</b>
<b>Expenses:</b>		
Water.....	16,868,607	14,054,731
Sewer.....	32,377,677	13,157,825
Parking.....	9,353,784	7,489,465
<b>Total expenses.....</b>	<b>58,600,068</b>	<b>34,702,021</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(13,526,849)</b>	<b>10,415,962</b>
<b>Transfers.....</b>	<b>5,980,000</b>	<b>202,356</b>
<b>Change in net position.....</b>	<b>(7,546,849)</b>	<b>10,618,318</b>
<b>Net position, beginning of year.....</b>	<b>50,494,503</b>	<b>39,876,185</b>
<b>Net position, end of year.....</b>	<b>\$ 42,947,654</b>	<b>\$ 50,494,503</b>

The water enterprise fund net position decreased by \$2.7 million. The change is primarily due to the \$2.9 million increase in the net pension liability and its associated deferred inflows/outflows, an increase in the indirect costs assessed to the fund, offset by the receipt of a \$2.0 million transfer in from the general fund.

The sewer enterprise fund net position decreased by \$5.7 million. The change is primarily due to the \$8.8 million increase in the net pension liability and its associated deferred inflows/outflows as the fund received a larger pension allocation to represent employees counts more accurately within the department, this also resulted in an increase in the indirect costs charged to the sewer fund. These increases were offset by the receipt of a \$1.0 million transfer in from the general fund.

The parking enterprise fund net position increased by \$870,000 in the current year. The change is primarily due to an increase in parking fee revenues, as revenues decreased substantially in prior years due to the COVID-19 pandemic. Further, the parking fund received a \$3.0 million transfer in from the general fund. These increases were offset by the \$349,000 increase in the net pension liability and its associated deferred inflows/outflows, an increase in the indirect costs charged to the fund, and an overall increase in contractor and repair expenses.

### ***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 \$121.3 million, an increase of \$20.5 million in comparison with the prior year. The increase is primarily attributable to the timing difference between the issuance of bonds and receipt of grant funds and the actual expenditure of such funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund equaled \$28.5 million (which includes \$13.9 million set aside as general stabilization), while total fund balance was \$38.5 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 6.7% and 9.1% of general fund expenditures, respectively.

The general fund decreased by \$9.8 million during 2022. This was due to deficit budgetary results due to use of free cash to balance the budget.

General fund revenues and other financing sources totaled \$434.6 million for 2022, an increase of \$9.0 million compared to the previous year. The increase primarily relates to budgeted increases in real estate and personal property taxes of \$8.0 million, intergovernmental State aid of \$16.5 million, \$5.1 million of lease financing and a \$1.5 million increase in departmental fees and permit revenues, while the teachers' retirement pension benefits paid by the State on behalf of the City decreased \$24.4 million.

Total general fund expenditures and other financing uses totaled \$444.5 million, an increase of \$39.3 million over the previous year. The increase in expenditures primarily relates to education, employee benefits and transfers out.

The COVID-19 grants fund represents expenditures of Federal and State grants received in response to the COVID-19 pandemic. The fund reported an ending fund balance of \$55,600, and unearned revenue of \$56.1 million for ARPA funds received from the Federal government, but not obligated as of yearend. The City expended \$9.2 million in response to the pandemic for: public health related equipment and services, negative economic impacts, infrastructure improvements, remote learning for students, and safe school reopening.

The high school construction fund represents expenditures for the renovation and construction of the Lowell High School. The fund issued \$41.4 million of long-term debt in fiscal year 2022 and received reimbursements of \$31.8 million from the Massachusetts School Building Authority (MSBA). Under agreement with the MSBA, they will reimburse approved construction costs up to 80% over the life of the project. At year end the balance of the fund was \$35.6 million, a \$23.6 million increase from the prior year, which is related to the timing of the receipt and expenditure of bond proceeds.

Nonmajor governmental funds increased \$6.8 million which can be attributed to the \$4.3 million issuance of bonds and related premiums, and \$3.9 million of transfers in from the general fund.

The internal service fund had an ending net position of \$3.1 million, with no change from the prior year. The balance relates 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 the Group Insurance Commission (GIC) and its health insurance activities are now premium based within the general fund. The City is now working to use the remaining balance in the internal service fund for health insurance related costs, when requested.

## **General Fund Budgetary Highlights**

The difference between the original budget of \$419.3 million and the final amended budget of \$438.0 million amounted to a net increase of \$18.7 million. During 2022, the Council approved transfers from free cash which included \$6.8 million to the stabilization funds, \$6.0 million to the enterprise funds, \$3.7 million to capital funds for paving and sidewalks, and for the fire department ladder truck, \$350,000 for the general fund, \$87,000 for special revenue funds and \$889,000 to the OPEB trust fund. 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 \$4.0 million while expenditures came in \$6.3 million lower than budgeted after carryforwards. The largest revenue surplus related to departmental and other of \$2.3 million. The largest departmental turn back related to general government salaries.

## **Capital Asset and Debt Administration**

**Capital Assets** - The City's investment in capital assets for governmental activities as of June 30, 2022, amounts to \$418.3 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 High school construction, Right to use leased buildings, Lord overpass construction, parks and playground improvements, and roadway improvements.

Due to the implementation of GASB 87 *Leases*, \$7.1 million of leases previously considered to be operating were capitalized, which included various buildings used by the City and school department. The City recorded the associated right to use assets.

The City's investment in capital assets for business-type activities as of June 30, 2022, amounts to \$267.8 million, net of accumulated depreciation. The investment in capital assets for the business-type activities relates to sewer and water infrastructure and systems as well as the various parking garage facilities. Major current year additions included Duck Island facility upgrades, the HCID parking garage, HVAC upgrades, and other various water and sewer improvements.

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, 2022, the City had total governmental bonded debt of \$160.3 million. The City issued governmental general obligation bonds totaling \$45.4 million during fiscal year 2022. Currently, the City has \$318.0 million in authorized and unissued long-term debt relating to the City's High School construction project.

The water enterprise fund had \$34.5 million in long-term debt that is supported by the water rates and future MCWT principal and interest subsidies.

The sewer enterprise fund had \$103.0 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 \$939,000 and \$4.1 million of BANS during fiscal year 2022.

The parking enterprise fund had \$53.0 million in long-term debt that is supported by parking fees.

In order to take advantage of favorable interest rates, the City issued \$2.6 million of general obligation refunding bonds on September 15, 2021, as part of a \$39.3 million issuance. Of the refunding bonds, \$964,000 was governmental and \$1.7 million was for the sewer enterprise fund. The proceeds of the refunding bonds were used

to complete a current refunding of existing debt. The refunded bonds totaled \$3.2 million and became callable on November 15, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$377,000 and a reduction of \$412,000 in future debt service payments.

In order to take advantage of favorable interest rates, the City issued \$3.9 million of general obligation state qualified refunding bonds on December 16, 2021. The governmental fund bond was for the prior recovery zone economic development issuance. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$4.3 million and became callable on January 15, 2022. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$390,000 and a reduction of \$402,000 in future debt service payments.

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

### ***Next Year's Budget***

Mayor Sokhary Chau and the Members of the Lowell City Council approved the City Manager's proposed Fiscal Year 2023 general fund operating budget of \$406.4 million on June 14th, 2022, after a public hearing in the City Council Chambers at Lowell City Hall. The budget was adopted on roll call, and approved by a vote of 8 yeas, 2 nays (C. Gitschier, C. Nuon), and 1 absent (C. Leahy), and approved by City Manager Thomas A. Golden, Jr. on June 15, 2022.

The total increase in general fund appropriations in the original budget, as compared to the fiscal year 2022 tax rate recapitulation, was \$33.1 million, not including state assessments. Notable drivers of increased expenditures, on the City-side, were fixed costs such as a \$1.6 million increase in the pension assessment from PERAC, a \$380,000 increase in the budget for costs associated with solid waste/ recycling collection and disposal, and a 6.2% overall increase in the budget for employee health insurance, with the state's group insurance commission ("GIC"). The FY2023 appropriation order also included a \$1.1 million provision for abatements and exemptions (i.e. overlay). There was also an increase of \$4.8 million in the FY2023 assessments to Lowell for charter school pupils who reside in Lowell.

The FY2023 budget included a \$19.9 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 total \$213.7 million appropriated by the City Council to the Lowell Public Schools, 94%, is from the Commonwealth's Chapter 70 education aid and the balance of \$12.7 million is funded through the tax levy in direct cash support. To balance the 2023 budget, the City Manager had to close an approximately \$10.2 million gap. This was achieved through cuts to departmental requests and through an increase to the planned increase to the tax levy to 5.5%, as well as the inclusion of certain available funds to balance the budget.

In addition to the FY2023 budget for the general fund, the City Council approved the City Manager's proposed budgets for city's three enterprise funds for water, sewer, and parking in the amounts of \$11.3 million, \$22.9 million, and \$9.8 million, respectively. In FY2023, the amount budgeted to reimburse the general fund for administrative overhead in all of the enterprise funds was \$11.4 million.

Aside from the major challenges found in FY2023, the City Administration was able to make several investments in key priority areas in the budget. Highlights and initiatives include the appropriation of \$2.08 million in pay-as-you-go (PAYGO) investment in the operating budget to address capital needs in city and school buildings, streets, sidewalks, etc., which will save money on interest/ borrowing costs. Also included in the budget was an appropriation of \$1.6 million to fund a pay and class study and the resulting schedules for city employees to address a significant operational challenge to fill vacancies in the public works department ("DPW") and other

departments. The FY2023 budget also added new positions to address City Council priorities areas, including the creation of an Assistant Fire Chief in the Lowell Fire Department to manage a new policy to keep all fire companies open to maximize public safety in Lowell.

Several targeted capital investments were also incorporated by the City Manager into the FY2023 operating budget to support the priorities of the City Council, such as public safety and economic development. Concurrent with the FY2023 operating budget, the City Council approved, by a roll call vote of 10-1 (C. Gitschier), 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 \$12,913,500 was approved to finance strategic investments in the general fund. The loan order included funding for the city-wide paving program (\$3 million), infrastructure projects for the various bridges across the city, including the Central Street Bridge project (\$2 million), acquisition of body cameras for the Lowell Police Officers \$725,000, and a \$2.3 million investment in school building improvements, among other projects.

The new management team has made strides towards improving internal controls and strengthening the overall financial management of the City in FY2022 and into FY2023. These include the implementation of bi-weekly payroll throughout the City in FY2023, and better utilization of the MUNIS financial system's payroll and HR modules, such as the applicant tracking program to better manage the HR process and work towards better position control. The City also has continued to manage the \$75.9 million in federal funding allocated to Lowell via the American Rescue Plan Act ("ARPA"). An ARPA finance manager and grant staff were added in FY2023 to manage the various compliance and reporting requirements to the US Treasury.

In a report issued by Standard & Poor's ("S&P") in connection with a \$46.59 million, general obligation state qualified bond issue in July of 2022, the rating agency commented on Lowell's "very strong management", "very strong liquidity", and "strong institutional framework score". In the report, S&P cited the City's strong financial policies and practices under the S&P Financial Management Assessment ("FMA") methodology and a strong institutional framework score and stable budgetary performance and strong budgetary reserves and liquidity heading into fiscal year 2023. Further, the rating agencies noted the City's "well-grounded budgetary assumptions and continued emphasis on financial monitoring and planning highlight its financial management practices and procedures." The report notes that City officials are conservative with revenue and expenditure assumptions and consider historical trends when developing the budget. S&P noted that Lowell has 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, while also regularly performing formal financial forecasting and maintaining a five-year capital improvement plan it updates annually.

The fiscal year 2023 tax rate was approved by the Department of Revenue on December 15, 2022, at a levy of \$164.4 million. Total appropriations in all funds including the general fund and enterprise funds totaled \$516.3 million, including \$41.2 million in "cherry sheet" charges and a \$1.1 million allowance for abatements and exemptions ("overlay"). The total estimated receipts and other revenue sources raised to support those appropriated and other unappropriated expenses totaled \$351.9 million. Of that total, \$243.7 million came from local aid from the Commonwealth (Chapter 70, UGGA, and other "cherry sheet" receipts), \$1.2 million from MSBA reimbursements for completed projects, and \$25 million in local receipts. Finally, \$51.1 million of the total amount raised was from the City's enterprise funds, \$3.4 million from Community Preservation Funds and \$9.6 million was appropriated by the Lowell City Council in other available funds to support the budget.

### ***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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 198,847,227	\$ 22,105,105	\$ 220,952,332
Investments.....	2,210,260	-	2,210,260
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	3,433,401	-	3,433,401
Tax liens.....	2,315,224	179,862	2,495,086
Community preservation fund surtax.....	23,181	-	23,181
Motor vehicle and other excise taxes.....	3,176,117	-	3,176,117
User fees.....	627,349	9,759,066	10,386,415
Departmental and other.....	2,874,820	909,426	3,784,246
Intergovernmental.....	33,468,520	-	33,468,520
Loans.....	45,504	-	45,504
Tax foreclosures.....	4,477,310	-	4,477,310
Working capital deposit.....	237,700	-	237,700
Total current assets.....	<u>251,736,613</u>	<u>32,953,459</u>	<u>284,690,072</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	149,558,132	9,365,469	158,923,601
Capital assets, net of accumulated depreciation.....	268,735,252	258,418,910	527,154,162
Total noncurrent assets.....	<u>418,293,384</u>	<u>267,784,379</u>	<u>686,077,763</u>
<b>TOTAL ASSETS.....</b>	<b>670,029,997</b>	<b>300,737,838</b>	<b>970,767,835</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	28,830,762	3,816,679	32,647,441
Deferred outflows related to other postemployment benefits.....	123,696,245	3,212,668	126,908,913
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>152,527,007</b>	<b>7,029,347</b>	<b>159,556,354</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	19,244,302	2,559,570	21,803,872
Accrued payroll.....	15,440,964	92,741	15,533,705
Accrued interest.....	1,500,449	2,062,786	3,563,235
Payroll and other liabilities.....	6,809,795	-	6,809,795
Unearned revenue.....	56,131,254	-	56,131,254
Right to use lease liabilities.....	1,102,445	-	1,102,445
Compensated absences.....	9,183,369	551,427	9,734,796
Workers' compensation.....	1,583,000	-	1,583,000
Notes payable.....	68,000	4,121,168	4,189,168
Long-term debt payable.....	8,964,023	12,754,305	21,718,328
Total current liabilities.....	<u>120,027,601</u>	<u>22,141,997</u>	<u>142,169,598</u>
<b>NONCURRENT:</b>			
Legal settlement reserve.....	5,000,000	-	5,000,000
Right to use lease liabilities.....	5,647,377	-	5,647,377
Compensated absences.....	11,290,157	384,566	11,674,723
Workers' compensation.....	4,129,000	-	4,129,000
Net pension liability.....	197,711,925	26,173,537	223,885,462
Net other postemployment benefits liability.....	626,489,817	17,384,610	643,874,427
Long-term debt payable.....	151,376,371	177,674,003	329,050,374
Total noncurrent liabilities.....	<u>1,001,644,647</u>	<u>221,616,716</u>	<u>1,223,261,363</u>
<b>TOTAL LIABILITIES.....</b>	<b>1,121,672,248</b>	<b>243,758,713</b>	<b>1,365,430,961</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	52,771,904	6,986,061	59,757,965
Deferred inflows related to other postemployment benefits.....	221,756,027	14,074,757	235,830,784
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>274,527,931</b>	<b>21,060,818</b>	<b>295,588,749</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	285,953,437	79,256,219	365,209,656
Restricted for:			
Chapter 17 special reserve.....	1,150	-	1,150
Streets.....	3,325,314	-	3,325,314
Community development.....	8,752,439	-	8,752,439
Loans.....	45,504	-	45,504
Permanent funds:			
Expendable.....	349,536	-	349,536
Nonexpendable.....	1,885,702	-	1,885,702
Gifts and grants.....	13,537,518	-	13,537,518
Community preservation.....	2,880,684	-	2,880,684
Unrestricted.....	(890,374,459)	(36,308,565)	(926,683,024)
<b>TOTAL NET POSITION.....</b>	<b>\$ (573,643,175)</b>	<b>\$ 42,947,654</b>	<b>\$ (530,695,521)</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 19,517,481	\$ 5,088,212	\$ 1,280,158	\$ 149,599	\$ (12,999,512)
Public safety.....	79,449,946	9,400,964	3,183,500	-	(66,865,482)
Education.....	359,937,758	1,063,437	264,832,265	31,843,933	(62,198,123)
Public works.....	19,600,695	4,110,236	1,230,956	9,059,653	(5,199,850)
Human services.....	16,567,660	407,516	15,958,189	1,219,175	1,017,220
Culture and recreation.....	7,015,070	883,651	679,013	-	(5,452,406)
Interest.....	3,198,704	-	-	-	(3,198,704)
Total Governmental Activities.....	505,287,314	20,954,016	287,164,081	42,272,360	<b>(154,896,857)</b>
<i>Business-Type Activities:</i>					
Water.....	16,868,607	12,146,525	-	31,941	(4,690,141)
Sewer.....	32,377,677	25,494,663	-	156,534	(6,726,480)
Parking.....	9,353,784	7,160,882	-	82,674	(2,110,228)
Total Business-Type Activities.....	58,600,068	44,802,070	-	271,149	<b>(13,526,849)</b>
Total Primary Government.....	\$ 563,887,382	\$ 65,756,086	\$ 287,164,081	\$ 42,543,509	\$ <b>(168,423,706)</b>

(Continued)

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(154,896,857)</b>	<b>(13,526,849)</b>	<b>(168,423,706)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	151,657,267	-	151,657,267
Tax and other liens.....	380,237	-	380,237
Motor vehicle and other excise taxes.....	10,328,804	-	10,328,804
Hotel/motel tax.....	109,798	-	109,798
Meals tax.....	1,470,028	-	1,470,028
Community preservation tax.....	854,538	-	854,538
Penalties and interest on taxes.....	1,405,928	-	1,405,928
Payments in lieu of taxes.....	440,600	-	440,600
Grants and contributions not restricted to specific programs.....	29,497,708	-	29,497,708
Unrestricted investment income.....	380,784	-	380,784
Gain on sale of assets.....	100,000	-	100,000
Miscellaneous.....	435,925	-	435,925
<i>Transfers, net</i> .....	<u>(5,980,000)</u>	<u>5,980,000</u>	<u>-</u>
Total general revenues and transfers.....	<u>191,081,617</u>	<u>5,980,000</u>	<u>197,061,617</u>
Change in net position.....	36,184,760	(7,546,849)	28,637,911
<i>Net position:</i>			
Beginning of year.....	<u>(609,827,935)</u>	<u>50,494,503</u>	<u>(559,333,432)</u>
End of year..... \$	<u><u>(573,643,175)</u></u>	<u><u>42,947,654</u></u>	<u><u>(530,695,521)</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2022

	General	COVID-19 Grant Fund	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 60,862,307	\$ 56,397,792	\$ 31,853,992	\$ 46,609,997	\$ 195,724,088
Investments.....	-	-	-	2,210,260	2,210,260
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	3,433,401	-	-	-	3,433,401
Tax liens.....	2,315,224	-	-	-	2,315,224
Community preservation fund surtax.....	-	-	-	23,181	23,181
Motor vehicle and other excise taxes.....	3,176,117	-	-	-	3,176,117
User fees.....	627,349	-	-	-	627,349
Departmental and other.....	2,843,020	-	-	31,800	2,874,820
Intergovernmental.....	1,647,717	-	13,336,719	18,484,084	33,468,520
Loans.....	-	-	-	45,504	45,504
Tax foreclosures.....	4,477,310	-	-	-	4,477,310
Working capital deposit.....	237,700	-	-	-	237,700
<b>TOTAL ASSETS.....</b>	<b>\$ 79,620,145</b>	<b>\$ 56,397,792</b>	<b>\$ 45,190,711</b>	<b>\$ 67,404,826</b>	<b>\$ 248,613,474</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 5,159,516	\$ 102,115	\$ 9,577,067	\$ 4,405,604	\$ 19,244,302
Accrued payroll.....	14,221,856	108,863	-	1,110,245	15,440,964
Payroll and other liabilities.....	6,774,069	-	-	35,726	6,809,795
Unearned revenue.....	-	56,131,254	-	-	56,131,254
Notes payable.....	-	-	-	68,000	68,000
<b>TOTAL LIABILITIES.....</b>	<b>26,155,441</b>	<b>56,342,232</b>	<b>9,577,067</b>	<b>5,619,575</b>	<b>97,694,315</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	14,969,284	-	-	14,620,615	29,589,899
<b>FUND BALANCES</b>					
Nonspendable.....	237,700	-	-	1,885,702	2,123,402
Restricted.....	1,150	55,560	35,613,644	45,278,934	80,949,288
Committed.....	6,670,416	-	-	-	6,670,416
Assigned.....	3,060,219	-	-	-	3,060,219
Unassigned.....	28,525,935	-	-	-	28,525,935
<b>TOTAL FUND BALANCES.....</b>	<b>38,495,420</b>	<b>55,560</b>	<b>35,613,644</b>	<b>47,164,636</b>	<b>121,329,260</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 79,620,145</b>	<b>\$ 56,397,792</b>	<b>\$ 45,190,711</b>	<b>\$ 67,404,826</b>	<b>\$ 248,613,474</b>

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....	\$	121,329,260
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		418,293,384
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		29,589,899
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 reported.....		(122,000,924)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		3,123,139
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,500,449)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Long-term debt payable.....	(160,340,394)	
Net pension liability.....	(197,711,925)	
Net other postemployment benefits liability.....	(626,489,817)	
Legal settlement reserve.....	(5,000,000)	
Lease liabilities.....	(6,749,822)	
Workers' compensation.....	(5,712,000)	
Compensated absences.....	<u>(20,473,526)</u>	
Net effect of reporting long-term liabilities.....		<u>(1,022,477,484)</u>
Net position of governmental activities.....	\$	<u><u>(573,643,175)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	COVID-19 Grant Fund	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 151,372,848	\$ -	\$ -	\$ -	\$ 151,372,848
Tax liens.....	653,055	-	-	-	653,055
Motor vehicle and other excise taxes.....	10,200,462	-	-	-	10,200,462
Hotel/motel tax.....	109,798	-	-	-	109,798
Meals tax.....	1,470,028	-	-	-	1,470,028
Charges for services.....	3,320,734	-	-	-	3,320,734
Penalties and interest on taxes.....	1,404,545	-	-	1,383	1,405,928
Payments in lieu of taxes.....	440,600	-	-	-	440,600
Fines and forfeitures.....	-	-	-	28,430	28,430
Intergovernmental - state aid.....	214,995,489	-	-	-	214,995,489
Intergovernmental - School Building Authority.....	1,192,790	-	-	-	1,192,790
Intergovernmental - Teachers Retirement.....	26,643,061	-	-	-	26,643,061
Intergovernmental - other.....	-	8,987,367	31,819,599	68,692,455	109,499,421
Departmental and other.....	9,884,791	-	-	12,336,885	22,221,676
Community preservation taxes.....	-	-	-	844,037	844,037
Contributions and donations.....	-	-	-	574,506	574,506
Investment income/(loss).....	388,200	-	-	(7,416)	380,784
<b>TOTAL REVENUES.....</b>	<b>422,076,401</b>	<b>8,987,367</b>	<b>31,819,599</b>	<b>82,470,280</b>	<b>545,353,647</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	11,951,690	2,822,530	-	606,163	15,380,383
Public safety.....	53,880,335	682,294	-	9,718,840	64,281,469
Education.....	193,157,058	5,273,517	49,626,129	46,249,645	294,306,349
Public works.....	15,196,217	16,990	-	11,245,374	26,458,581
Human services.....	5,771,132	371,971	-	13,834,862	19,977,965
Culture and recreation.....	4,147,811	-	-	2,483,410	6,631,221
Pension benefits.....	26,572,390	-	-	-	26,572,390
Pension benefits - Teachers Retirement.....	26,643,061	-	-	-	26,643,061
Employee benefits.....	44,034,417	-	-	-	44,034,417
State and county charges.....	34,184,770	-	-	-	34,184,770
Debt service:					
Principal.....	8,197,400	-	-	-	8,197,400
Debt service related to leases, includes interest of \$111,148.....	216,889	-	-	287,225	504,114
Interest.....	4,915,071	-	-	-	4,915,071
<b>TOTAL EXPENDITURES.....</b>	<b>428,868,241</b>	<b>9,167,302</b>	<b>49,626,129</b>	<b>84,425,519</b>	<b>572,087,191</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(6,791,840)</b>	<b>(179,935)</b>	<b>(17,806,530)</b>	<b>(1,955,239)</b>	<b>(26,733,544)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of long-term debt.....	-	-	41,413,620	3,984,431	45,398,051
Issuance of refunding long-term debt.....	4,894,000	-	-	-	4,894,000
Premium from issuance of long-term debt.....	-	-	-	356,908	356,908
Premium from issuance of refunding long-term debt.....	811,847	-	-	-	811,847
Payments to refunded bond escrow agent.....	(5,460,000)	-	-	-	(5,460,000)
Right to use lease financing.....	5,126,558	-	-	2,016,230	7,142,788
Proceeds from the sale of assets.....	-	-	-	100,000	100,000
Transfers in.....	1,729,900	179,935	-	3,997,070	5,906,905
Transfers out.....	(10,157,005)	-	-	(1,729,900)	(11,886,905)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(3,054,700)</b>	<b>179,935</b>	<b>41,413,620</b>	<b>8,724,739</b>	<b>47,263,594</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(9,846,540)</b>	<b>-</b>	<b>23,607,090</b>	<b>6,769,500</b>	<b>20,530,050</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>48,341,960</b>	<b>55,560</b>	<b>12,006,554</b>	<b>40,395,136</b>	<b>100,799,210</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 38,495,420</b>	<b>\$ 55,560</b>	<b>\$ 35,613,644</b>	<b>\$ 47,164,636</b>	<b>\$ 121,329,260</b>

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, 2022

Net change in fund balances - total governmental funds.....		\$ 20,530,050
<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.....	75,598,858	
Depreciation expense.....	<u>(14,162,860)</u>	
Net effect of reporting capital assets.....		61,435,998
<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>		
		1,998,427
<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>		
Principal payments on right to use leases.....	392,966	
Issuance of long-term debt.....	(45,398,051)	
Issuance of refunding long-term debt.....	(4,894,000)	
Premium from issuance of long-term debt.....	(356,908)	
Premium from issuance of refunding long-term debt.....	(811,847)	
Payments to refunded bond escrow agent.....	5,460,000	
Right to use lease financing.....	(7,142,788)	
Net amortization of premium from issuance of long-term debt.....	1,399,276	
Debt service principal payments.....	<u>8,197,400</u>	
Net effect of reporting long-term debt.....		(43,153,952)
<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.....	(4,096,935)	
Net change in accrued interest on long-term debt.....	428,239	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(38,886,439)	
Net change in net pension liability.....	62,462,991	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(257,572,307)	
Net change in net other postemployment benefits liability.....	232,877,888	
Net change in workers' compensation liability.....	<u>160,800</u>	
Net effect of recording long-term liabilities.....		<u>(4,625,763)</u>
Change in net position of governmental activities.....		<u>\$ 36,184,760</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 5,537,184	\$ 11,693,358	\$ 4,874,563	\$ 22,105,105	\$ 3,123,139
Receivables, net of allowance for uncollectibles:					
User fees.....	3,690,132	6,068,934	-	9,759,066	-
Liens - user fees.....	105,891	73,971	-	179,862	-
Departmental and other.....	-	-	909,426	909,426	-
Total current assets.....	<u>9,333,207</u>	<u>17,836,263</u>	<u>5,783,989</u>	<u>32,953,459</u>	<u>3,123,139</u>
<b>NONCURRENT:</b>					
Capital assets, non depreciable.....	746,856	7,756,847	861,766	9,365,469	-
Capital assets, net of accumulated depreciation.....	<u>42,558,857</u>	<u>147,324,777</u>	<u>68,535,276</u>	<u>258,418,910</u>	<u>-</u>
Total noncurrent assets.....	<u>43,305,713</u>	<u>155,081,624</u>	<u>69,397,042</u>	<u>267,784,379</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>52,638,920</u>	<u>172,917,887</u>	<u>75,181,031</u>	<u>300,737,838</u>	<u>3,123,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions.....	1,580,646	1,889,063	346,970	3,816,679	-
Deferred outflows related to other postemployment benefits.....	<u>1,320,763</u>	<u>1,653,929</u>	<u>237,976</u>	<u>3,212,668</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u>2,901,409</u>	<u>3,542,992</u>	<u>584,946</u>	<u>7,029,347</u>	<u>-</u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	248,195	993,044	1,318,331	2,559,570	-
Accrued payroll.....	36,506	50,431	5,804	92,741	-
Accrued interest.....	307,265	1,139,211	616,310	2,062,786	-
Compensated absences.....	199,431	321,699	30,297	551,427	-
Notes payable.....	-	4,121,168	-	4,121,168	-
Bonds payable.....	<u>3,164,052</u>	<u>6,163,584</u>	<u>3,426,669</u>	<u>12,754,305</u>	<u>-</u>
Total current liabilities.....	<u>3,955,449</u>	<u>12,789,137</u>	<u>5,397,411</u>	<u>22,141,997</u>	<u>-</u>
<b>NONCURRENT:</b>					
Compensated absences.....	150,790	218,283	15,493	384,566	-
Net pension liability.....	10,839,550	12,954,577	2,379,410	26,173,537	-
Net other postemployment benefits liability.....	7,147,006	8,949,855	1,287,749	17,384,610	-
Bonds payable.....	<u>31,327,098</u>	<u>96,787,029</u>	<u>49,559,876</u>	<u>177,674,003</u>	<u>-</u>
Total noncurrent liabilities.....	<u>49,464,444</u>	<u>118,909,744</u>	<u>53,242,528</u>	<u>221,616,716</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u>53,419,893</u>	<u>131,698,881</u>	<u>58,639,939</u>	<u>243,758,713</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions.....	2,893,218	3,457,747	635,096	6,986,061	-
Deferred inflows related to other postemployment benefits.....	<u>2,529,796</u>	<u>11,089,142</u>	<u>455,819</u>	<u>14,074,757</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u>5,423,014</u>	<u>14,546,889</u>	<u>1,090,915</u>	<u>21,060,818</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets.....	9,612,914	53,040,557	16,602,748	79,256,219	-
Unrestricted.....	<u>(12,915,492)</u>	<u>(22,825,448)</u>	<u>(567,625)</u>	<u>(36,308,565)</u>	<u>3,123,139</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ (3,302,578)</u>	<u>\$ 30,215,109</u>	<u>\$ 16,035,123</u>	<u>\$ 42,947,654</u>	<u>\$ 3,123,139</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
<b>OPERATING REVENUES:</b>					
Charges for services.....	\$ 12,102,007	\$ 25,222,282	\$ 7,160,882	\$ 44,485,171	\$ -
Other operating revenues.....	44,518	272,381	-	316,899	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>12,146,525</b>	<b>25,494,663</b>	<b>7,160,882</b>	<b>44,802,070</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration.....	13,280,101	25,029,576	5,458,625	43,768,302	-
Depreciation.....	2,765,514	4,896,528	2,335,644	9,997,686	-
<b>TOTAL OPERATING EXPENSES.....</b>	<b>16,045,615</b>	<b>29,926,104</b>	<b>7,794,269</b>	<b>53,765,988</b>	<b>-</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(3,899,090)</b>	<b>(4,431,441)</b>	<b>(633,387)</b>	<b>(8,963,918)</b>	<b>-</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest expense.....	(822,992)	(2,451,573)	(1,559,515)	(4,834,080)	-
Intergovernmental - subsidy.....	31,941	156,534	-	188,475	-
Intergovernmental.....	-	-	82,674	82,674	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(791,051)</b>	<b>(2,295,039)</b>	<b>(1,476,841)</b>	<b>(4,562,931)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(4,690,141)</b>	<b>(6,726,480)</b>	<b>(2,110,228)</b>	<b>(13,526,849)</b>	<b>-</b>
<b>TRANSFERS:</b>					
Transfers in.....	2,000,000	1,000,000	3,000,000	6,000,000	-
Transfers out.....	-	-	(20,000)	(20,000)	-
<b>TOTAL TRANSFERS.....</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>2,980,000</b>	<b>5,980,000</b>	<b>-</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(2,690,141)</b>	<b>(5,726,480)</b>	<b>869,772</b>	<b>(7,546,849)</b>	<b>-</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>(612,437)</b>	<b>35,941,589</b>	<b>15,165,351</b>	<b>50,494,503</b>	<b>3,123,139</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ (3,302,578)</b>	<b>\$ 30,215,109</b>	<b>\$ 16,035,123</b>	<b>\$ 42,947,654</b>	<b>\$ 3,123,139</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Parking	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 12,579,445	\$ 26,041,833	\$ 7,137,172	\$ 45,758,450	\$ -
Payments to vendors.....	(8,118,538)	(15,161,254)	(4,694,442)	(27,974,234)	-
Payments to employees.....	(2,409,909)	(3,260,226)	(367,319)	(6,037,454)	-
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,050,998</b>	<b>7,620,353</b>	<b>2,075,411</b>	<b>11,746,762</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in.....	2,000,000	1,000,000	3,000,000	6,000,000	-
Transfers out.....	-	-	(20,000)	(20,000)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>2,980,000</b>	<b>5,980,000</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of long-term debt and notes.....	-	5,059,810	-	5,059,810	-
Premium from the issuance of long-term debt.....	91,500	-	15,750	107,250	-
Acquisition and construction of capital assets.....	(1,842,987)	(4,172,184)	471,733	(5,543,438)	-
Principal payments on long-term debt and notes.....	(3,165,213)	(5,659,281)	(3,140,750)	(11,965,244)	-
Intergovernmental revenue.....	-	-	82,674	82,674	-
Interest expense.....	(945,464)	(2,784,492)	(1,989,197)	(5,719,153)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(5,862,164)</b>	<b>(7,556,147)</b>	<b>(4,559,790)</b>	<b>(17,978,101)</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(1,811,166)</b>	<b>1,064,206</b>	<b>495,621</b>	<b>(251,339)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>7,348,350</b>	<b>10,629,152</b>	<b>4,378,942</b>	<b>22,356,444</b>	<b>3,123,139</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 5,537,184</b>	<b>\$ 11,693,358</b>	<b>\$ 4,874,563</b>	<b>\$ 22,105,105</b>	<b>\$ 3,123,139</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ (3,899,090)	\$ (4,431,441)	\$ (633,387)	\$ (8,963,918)	\$ -
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	2,765,514	4,896,528	2,335,644	9,997,686	-
Deferred (outflows)/inflows related to pensions.....	1,877,736	1,914,847	429,417	4,222,000	-
Deferred (outflows)/inflows related to other postemployment benefits.....	2,908,268	1,001,484	524,012	4,433,764	-
Changes in assets and liabilities:					
Liens - user charges.....	(26,098)	27,578	-	1,480	-
User charges.....	459,018	519,592	-	978,610	-
Departmental and other.....	-	-	(23,710)	(23,710)	-
Warrants payable.....	(378,980)	107,604	(2,406)	(273,782)	-
Accrued payroll.....	(34,941)	(43,240)	(4,067)	(82,248)	-
Compensated absences.....	35,343	25,819	8,840	70,002	-
Net pension liability.....	1,000,903	6,928,408	(80,252)	7,849,059	-
Net other postemployment benefits liability.....	(2,656,675)	(3,326,826)	(478,680)	(6,462,181)	-
Total adjustments.....	5,950,088	12,051,794	2,708,798	20,710,680	-
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,050,998</b>	<b>\$ 7,620,353</b>	<b>\$ 2,075,411</b>	<b>\$ 11,746,762</b>	<b>\$ -</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Issuance of refunding long-term debt.....	\$ -	\$ 1,664,750	\$ -	\$ 1,664,750	\$ -
Long-term debt refunded.....	-	(2,000,000)	-	(2,000,000)	-
Refunding premium.....	-	335,250	-	335,250	-
Acquisition of capital assets on account.....	-	(331,564)	(1,004,242)	(1,335,806)	-
Intergovernmental subsidy of debt service.....	31,941	156,534	-	188,475	-
<b>Total non-cash activity.....</b>	<b>\$ 31,941</b>	<b>\$ (175,030)</b>	<b>\$ (1,004,242)</b>	<b>\$ (1,147,331)</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 12,588,811	\$ 28,859
Investments:		
Investments in Pension Reserve Investment Trust.....	534,025,135	-
Equity securities.....	1,551,032	158,770
Equity mutual funds.....	7,628,939	-
Bond mutual funds.....	3,568,945	-
<b>TOTAL ASSETS</b> .....	<b>559,362,862</b>	<b>187,629</b>
<b>NET POSITION</b>		
Restricted for pensions.....	546,832,948	-
Restricted for other postemployment benefits.....	12,529,914	-
Held in trust for other purposes.....	-	187,629
<b>TOTAL NET POSITION</b> .....	<b>559,362,862</b>	<b>187,629</b>

(1) The Pension Trust Fund is as of December 31, 2021.

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 32,664,464	\$ -
Employer contributions for other postemployment benefit payments.....	18,572,152	-
Member contributions.....	10,417,970	-
Transfers from other systems.....	196,262	-
3(8)c contributions from other systems.....	906,696	-
State COLA reimbursements.....	196,684	-
	<u>62,954,228</u>	<u>-</u>
Total contributions.....		
Net investment income:		
Investment income/(loss).....	88,679,689	(3,686)
Less: investment expense.....	(2,468,918)	-
	<u>86,210,771</u>	<u>(3,686)</u>
Net investment income/(loss).....		
	<u>149,164,999</u>	<u>(3,686)</u>
TOTAL ADDITIONS.....		
<b>DEDUCTIONS:</b>		
Administration.....	404,586	-
Transfers to other systems.....	1,200,227	-
3(8)c transfer to other systems.....	1,627,568	-
Retirement benefits and refunds.....	45,291,728	-
Other postemployment benefit payments.....	18,572,152	-
	<u>67,096,261</u>	<u>-</u>
TOTAL DEDUCTIONS.....		
	82,068,738	(3,686)
NET INCREASE IN NET POSITION.....		
	477,294,124	191,315
NET POSITION AT BEGINNING OF YEAR.....		
	\$ 559,362,862	\$ 187,629
NET POSITION AT END OF YEAR.....		

(1) The Pension Trust Fund is as of December 31, 2021.

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 funds are 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 *COVID-19 grants fund* is used to account for Federal and State grants received in response to the pandemic, and their related expenditures.

The *high school construction fund* is used to account for the construction and renovations related to the Lowell High School that is funded by the issuance of long-term debt and reimbursements from the Massachusetts School Building Authority (MSBA).

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 at Lowell Regional Water Utility.

The *sewer enterprise fund* is used to account for the sewer activities at the Duck Island Lowell Regional Wastewater Utility .

The *parking fund* is used to account for the parking garage and on-street parking 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. The City's health insurance activities are now premium based through the Group Insurance Commission and reported within the general fund. 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.

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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.

*Community Preservation Surcharges*

Community preservation surcharges are levied annually at a rate of 1% of resident's real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income defined by DOR guidelines. The surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges 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.

*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. Intangible Right-to-use leased assets are recorded at the net present value of noncancellable lease payments at inception. 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.

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
Right to use leased buildings.....	5 - 10
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 assets 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 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 assets 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 deferred inflows of resources related to pensions and other post-employment benefits 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 reported 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 transfers in and transfers out.

#### *Government-Wide Financial Statements*

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*

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

“Community preservation” represents amounts restricted for affordable housing, open space and historic purposes.

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. Right to Use Lease Liabilities*Government-Wide and Proprietary Fund Financial Statements*

Right to use lease liabilities are reported at the present value of their future minimum lease payments. Lease payments are reported as reductions of the lease liability and as interest expense during the lease term.

*Governmental Fund Financial Statements*

The present value of the future minimum lease payments are reported within the governmental funds as other financing sources and a capital expenditure. Lease payments are reported as debt service expenditures.

## R. 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.

## S. 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.

## 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 Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

MMDT maintains a cash portfolio with an average maturity of 27 days.

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 does not have the ability to control any of the investment decisions relative to its funds in PRIT. 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 \$170,568,848 and the bank balance totaled \$177,077,182. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$10,057,499 was covered by the Depositors Insurance Fund, \$158,498,873 was collateralized, and \$7,520,810 was uninsured and uncollateralized.

At December 31, 2021, carrying amount of deposits for the System totaled \$12,522,114, this was comprised of \$11,521,976 of cash deposited with banks along with \$1,000,138 in the PRIT Cash Fund. The bank balance totaled \$12,648,079, of which \$11,647,941 was covered by Federal Deposit Insurance and the remaining \$1,000,138 in the PRIT Cash Fund was uninsured and uncollateralized.

**Investments**

As of June 30, 2022, 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>Over 10 Years</u>
<u>Debt securities:</u>					
U.S. treasury notes.....	\$ 444,297	\$ 160,322	\$ 283,975	\$ -	\$ -
Government sponsored enterprises...	211,051	80,122	130,929	-	-
Corporate bonds.....	948,676	-	948,676	-	-
Bond mutual funds.....	3,729,061	-	1,199,709	988,614	1,540,738
Total debt securities.....	5,333,085	\$ 240,444	\$ 2,563,289	\$ 988,614	\$ 1,540,738
<u>Other investments:</u>					
Equity securities.....	2,155,922				
Equity mutual funds.....	7,343,240				
Money market mutual funds.....	115,237				
MMDT - Cash portfolio.....	50,363,803				
Total investments.....	\$ 65,311,287				

As of December 31, 2021, the System had the following investments:

<u>Investment Type</u>	<u>Fair value</u>
Equity mutual funds.....	\$ 285,699
Pension Reserve Investment Trust (PRIT).....	534,025,135
 Total investments.....	 <u>\$ 534,310,834</u>

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. The City’s investments in U.S. treasury notes, government sponsored enterprises, corporate bonds, and equity securities, are exposed to custodial credit risk 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. MMDT, money market mutual funds, and mutual funds are not subject to custodial credit risk as it is not evidenced by securities that exist in physical or book-entry form.

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 1.33 to 15.12 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, 2022, the City’s investments were rated as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AAA.....	\$ -	\$ -	\$ 644,107
AA+.....	211,051	-	17,107
AA-.....	-	-	348,941
A+.....	-	145,142	656,573
A.....	-	141,516	488,400
A-.....	-	-	867,058
BBB+.....	-	144,113	-
BBB.....	-	517,905	214,827
BBB-.....	-	-	151,273
B.....	-	-	133,192
Not Rated.....	-	-	207,583
Total.....	\$ <u>211,051</u>	\$ <u>948,676</u>	\$ <u>3,729,061</u>

The System has not adopted a formal policy related to credit risk. At December 31, 2021, 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, 2022, 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, 2021, the System’s investment in any one issuer did not exceed 5% of the total amount invested.

Fair 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 had the following recurring fair value measurements as of June 30, 2022:

Investment Type	June 30, 2022	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)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 444,297	\$ 444,297	\$ -	\$ -
Government sponsored enterprises.....	211,051	211,051	-	-
Corporate bonds.....	948,676	-	948,676	-
Bond mutual funds.....	3,729,061	3,729,061	-	-
Total debt securities.....	5,333,085	4,384,409	948,676	-
<u>Other investments:</u>				
Equity securities.....	2,155,922	2,155,922	-	-
Equity mutual funds.....	7,343,240	7,343,240	-	-
Money market mutual funds.....	115,237	115,237	-	-
Total other investments.....	9,614,399	9,614,399	-	-
Total investments measured at fair value.....	14,947,484	\$ 13,998,808	\$ 948,676	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	50,363,803			
Total investments.....	\$ 65,311,287			

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 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.

MMDT Cash Portfolio investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System'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 had the following recurring fair value measurements as of December 31, 2021:

Investment Type	December 31, 2021	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)
<b>Investments measured at fair value:</b>				
Equity mutual funds.....	\$ 285,699	\$ 285,699	\$ -	\$ -
<b>Investments measured at net asset value:</b>				
Pension Reserve Investment Trust (PRIT)....	534,025,135			
Total investments.....	\$ 534,310,834			

Equity mutual funds 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 value 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, 2022, 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...	\$ 4,033,401	\$ (600,000)	\$ 3,433,401
Tax liens.....	4,561,224	(2,246,000)	2,315,224
Community preservation fund surtax.....	23,181	-	23,181
Motor vehicle and other excise taxes.....	4,022,117	(846,000)	3,176,117
Trash user fees.....	627,349	-	627,349
Departmental and other.....	2,874,820	-	2,874,820
Intergovernmental.....	33,468,520	-	33,468,520
Loans.....	45,504	-	45,504
Total.....	\$ 49,656,116	\$ (3,692,000)	\$ 45,964,116

At June 30, 2022, receivables for the enterprise funds consisted of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water liens - user fees.....	\$ 105,891	\$ -	\$ 105,891
Water user fees.....	3,690,132	-	3,690,132
Sewer liens - user fees.....	73,971	-	73,971
Sewer user fees.....	6,068,934	-	6,068,934
Parking departmental and other....	909,426	-	909,426
Total.....	<u>\$ 10,848,354</u>	<u>\$ -</u>	<u>\$ 10,848,354</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.....	\$ 2,875,932	\$ -	\$ 2,875,932
Tax liens.....	2,315,224	-	2,315,224
Community preservation fund surtax.....	-	23,181	23,181
Motor vehicle and other excise taxes.....	3,176,117	-	3,176,117
Trash user fees.....	627,349	-	627,349
Departmental and other.....	328,893	31,800	360,693
Intergovernmental - highway improvements.....	-	3,325,314	3,325,314
Intergovernmental - School Building Authority....	1,168,459	-	1,168,459
Intergovernmental - other.....	-	11,194,816	11,194,816
Loans.....	-	45,504	45,504
<u>Other asset type:</u>			
Tax foreclosures.....	4,477,310	-	4,477,310
Total.....	<u>\$ 14,969,284</u>	<u>\$ 14,620,615</u>	<u>\$ 29,589,899</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 34,002,393	\$ 822,528	\$ -	\$ 34,824,921
Construction in progress.....	67,439,958	56,029,978	(8,736,725)	114,733,211
Total capital assets not being depreciated...	101,442,351	56,852,506	(8,736,725)	149,558,132
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	361,205,420	3,001,225	-	364,206,645
Right to use leased buildings.....	-	7,142,788	-	7,142,788
Capital improvements (other than buildings).....	31,779,983	1,872,083	-	33,652,066
Infrastructure.....	209,764,058	13,231,412	-	222,995,470
Vehicles.....	21,723,300	919,850	-	22,643,150
Equipment.....	24,216,565	1,315,719	-	25,532,284
Books.....	7,810,699	-	-	7,810,699
Software.....	495,990	-	-	495,990
Total capital assets being depreciated.....	656,996,015	27,483,077	-	684,479,092
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(246,661,053)	(6,347,363)	-	(253,008,416)
Right to use leased buildings.....	-	(249,561)	-	(249,561)
Capital improvements (other than buildings).....	(18,642,036)	(1,114,307)	-	(19,756,343)
Infrastructure.....	(99,630,991)	(3,337,907)	-	(102,968,898)
Vehicles.....	(19,328,264)	(1,066,118)	-	(20,394,382)
Equipment.....	(9,263,640)	(1,968,642)	-	(11,232,282)
Books.....	(7,559,006)	(78,962)	-	(7,637,968)
Software.....	(495,990)	-	-	(495,990)
Total accumulated depreciation.....	(401,580,980)	(14,162,860)	-	(415,743,840)
Total capital assets being depreciated, net.....	255,415,035	13,320,217	-	268,735,252
Total governmental activities capital assets, net....	\$ 356,857,386	\$ 70,172,723	\$ (8,736,725)	\$ 418,293,384

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,844,420	\$ -	\$ -	\$ 2,844,420
Construction in progress.....	<u>34,310,700</u>	<u>2,468,274</u>	<u>(30,257,925)</u>	<u>6,521,049</u>
Total capital assets not being depreciated....	<u>37,155,120</u>	<u>2,468,274</u>	<u>(30,257,925)</u>	<u>9,365,469</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	3,111,313	30,691,628	-	33,802,941
Capital improvements (other than buildings).....	32,600,586	1,327,438	-	33,928,024
Infrastructure.....	382,082,106	1,710,915	-	383,793,021
Equipment.....	4,009,932	198,450	-	4,208,382
Vehicles.....	<u>2,682,122</u>	<u>77,336</u>	<u>-</u>	<u>2,759,458</u>
Total capital assets being depreciated.....	<u>424,486,059</u>	<u>34,005,767</u>	<u>-</u>	<u>458,491,826</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(435,800)	(400,165)	-	(835,965)
Capital improvements (other than buildings).....	(15,076,476)	(1,581,857)	-	(16,658,333)
Infrastructure.....	(169,663,923)	(7,582,002)	-	(177,245,925)
Equipment.....	(2,448,487)	(317,944)	-	(2,766,431)
Vehicles.....	<u>(2,450,544)</u>	<u>(115,718)</u>	<u>-</u>	<u>(2,566,262)</u>
Total accumulated depreciation.....	<u>(190,075,230)</u>	<u>(9,997,686)</u>	<u>-</u>	<u>(200,072,916)</u>
Total capital assets being depreciated, net.....	<u>234,410,829</u>	<u>24,008,081</u>	<u>-</u>	<u>258,418,910</u>
Total business-type activities capital assets, net....	<u>\$ 271,565,949</u>	<u>\$ 26,476,355</u>	<u>\$ (30,257,925)</u>	<u>\$ 267,784,379</u>

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

**Governmental Activities:**

General government.....	\$ 399,861
Public safety.....	1,827,850
Education.....	6,740,042
Public works.....	3,048,422
Human services.....	574,537
Culture and recreation.....	<u>1,572,148</u>

Total depreciation expense - governmental activities.... \$ 14,162,860

**Business-Type Activities:**

Water.....	\$ 2,765,514
Sewer.....	4,896,528
Parking.....	<u>2,335,644</u>

Total depreciation expense - business-type activities... \$ 9,997,686

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

Transfers Out:	Transfers In:						Total
	General fund	COVID-19 grant fund	Nonmajor governmental funds	Water enterprise fund	Sewer enterprise fund	Parking enterprise fund	
General fund.....	\$ -	\$ 179,935	\$ 3,977,070	\$ 2,000,000	\$ 1,000,000	\$ 3,000,000	\$ 10,157,005 (1)
Nonmajor governmental funds....	1,729,900	-	-	-	-	-	1,729,900 (2)
Parking enterprise fund.....	-	-	20,000	-	-	-	20,000 (3)
Total.....	\$ 1,729,900	\$ 179,935	\$ 3,997,070	\$ 2,000,000	\$ 1,000,000	\$ 3,000,000	\$ 11,906,905

- (1) Represents budgeted transfers from the general fund to the COVID grant fund, nonmajor funds, and the water, sewer, and parking enterprise funds.
- (2) Transfers into the general fund represent amounts voted to fund 2022 operations from nonmajor funds as well as close outs of old grant funds.
- (3) Transfer into the nonmajor governmental funds from the parking enterprise fund represents repayment for a past grant expenditure.

**NOTE 6 – LEASE LIABILITIES**

Change in Accounting Principle

During the year 2022, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as a right to use another entity’s asset over a definitive period of time and required the City to record leases that were previously classified as operating leases. No restatement of beginning net position was required.

Leases

The City has entered into lease agreements to finance the right to use buildings for health and human services, and the school department. The lease agreements have been recorded at the present value of their future minimum lease payments using various imputed interest rates as of the inception date or at the beginning of the year of implementation of GASB Statement No. 87.

The following identifies the balance of right-to-use assets recorded under lease agreements along with the related accumulated depreciation:

Asset:	Governmental Activities
Buildings.....	\$ 7,142,788
Less: accumulated depreciation...	(249,561)
Total.....	\$ 6,893,227

Future minimum lease payments consist of the following at June 30:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023.....	\$ 1,102,445	\$ 202,495	\$ 1,304,940
2024.....	1,135,518	169,422	1,304,940
2025.....	1,169,584	135,356	1,304,940
2026.....	1,204,672	100,268	1,304,940
2027.....	974,512	64,129	1,038,641
2028.....	469,221	34,893	504,114
2029.....	483,298	20,816	504,114
2030.....	210,572	6,317	216,889
Total minimum lease payments.....	\$ <u>6,749,822</u>	\$ <u>733,696</u>	\$ <u>7,483,518</u>

**NOTE 7 – 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, 2022, was as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
<b>Governmental Funds:</b>							
BAN	Municipal Purpose.....	3.00%	9/16/22	\$ -	\$ 7,000,000	\$ (7,000,000)	\$ -
BAN	Municipal Purpose.....	3.25%	9/16/22	-	16,179,330	(16,111,330)	68,000 (A)
Total Governmental Funds.....				\$ -	\$ 23,179,330	\$ (23,111,330)	\$ 68,000
<b>Water Enterprise Fund:</b>							
BAN	Municipal Purpose.....	1.25%	10/1/21	\$ 91,500	\$ -	\$ (91,500)	\$ -
<b>Sewer Enterprise Fund:</b>							
BAN	MCWT Interim Note...	0.00%	6/30/23	-	4,121,168	-	4,121,168
<b>Parking Enterprise Fund:</b>							
BAN	Municipal Purpose.....	1.25%	10/1/21	15,750	-	(15,750)	-
Total Enterprise Funds.....				\$ 107,250	\$ 4,121,168	\$ (107,250)	\$ 4,121,168

(A) On July 20, 2022, the City issued \$43.6 million of long-term bonds. Of the general obligation bonds, \$23.1 million related to BANS outstanding at year end, therefore, the City has recognized \$23.1 million of bond proceeds in the governmental funds. The remaining general obligation bonds will be recognized by the City in fiscal year 2023. The \$68,000 of BANS outstanding were paid down in July 2022 with available funds at maturity.

**NOTE 8 – 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, 2022, and the debt service requirements are presented on the following pages.

**Long-Term Debt Payable Schedule – Governmental Funds**

Project	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2022
General Obligations Bonds Payable:			
Schools.....	2052	2.00-6.00	\$ 74,346,120
General.....	2051	2.00-6.00	74,030,167
Lowell Memorial Auditorium.....	2041	2.00-5.75	<u>1,549,000</u>
Total Bonds Payable.....			149,925,287
Add: Unamortized premium on bonds.....			<u>10,415,107</u>
Total Long-Term Debt Payable, net.....			<u>\$ 160,340,394</u>

Debt service requirements for principal and interest for governmental general obligation bonds payable in future years were as follows:

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2023..... \$	7,574,458	\$ 4,240,834	\$ 11,815,292
2024.....	6,842,430	5,594,974	12,437,404
2025.....	7,474,800	4,615,569	12,090,369
2026.....	7,747,600	4,220,955	11,968,555
2027.....	7,930,700	3,822,683	11,753,383
2028.....	7,943,500	3,418,680	11,362,180
2029.....	7,870,000	3,025,993	10,895,993
2030.....	7,769,400	2,649,931	10,419,331
2031.....	6,672,400	2,293,750	8,966,150
2032.....	6,390,000	2,037,597	8,427,597
2033.....	5,910,000	1,805,504	7,715,504
2034.....	5,655,000	1,596,433	7,251,433
2035.....	5,660,000	1,414,426	7,074,426
2036.....	5,400,000	1,254,605	6,654,605
2037.....	4,495,000	1,128,909	5,623,909
2038.....	4,455,000	1,028,262	5,483,262
2039.....	4,360,000	908,915	5,268,915
2040.....	4,495,000	801,865	5,296,865
2041.....	3,605,000	706,490	4,311,490
2042.....	3,410,000	625,990	4,035,990
2043.....	3,285,000	547,537	3,832,537
2044.....	3,375,000	467,548	3,842,548
2045.....	3,470,000	384,141	3,854,141
2046.....	3,565,000	297,910	3,862,910
2047.....	3,665,000	208,706	3,873,706
2048.....	3,780,000	116,470	3,896,470
2049.....	2,440,000	53,038	2,493,038
2050.....	2,505,000	19,496	2,524,496
2051.....	1,130,000	1,247	1,131,247
2052.....	1,049,999	-	1,049,999
Total..... \$	<u>149,925,287</u>	<u>\$ 49,288,458</u>	<u>\$ 199,213,745</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 2022, \$1.2 million of such assistance was received. Approximately \$1.2 million will be received in future years. Of this amount, \$24,000 represents reimbursement of long-term interest costs, and \$1,168,000 represents reimbursement of approved construction costs. Accordingly, a \$1,168,000 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.

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 \$200,000 related to the issuance of Qualified Energy Conservation Bonds. Thus, net loan repayments, including interest, are scheduled to be \$1.3 million. 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 2022 interest subsidy totaled approximately \$47,000. Annual payments are subject to sequestration.

**Long-Term Debt Payable Schedule – Enterprise Funds**

Project	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2022
General Obligations Bonds Payable:			
Sewer.....	2050	2.00-5.00	\$ 30,033,192
Water.....	2051	2.00-5.00	11,833,300
Parking.....	2045	2.00-5.00	<u>50,304,550</u>
Subtotal General Obligations Bonds Payable.....			<u>92,171,042</u>
Direct Borrowings Payable:			
Sewer - MCWT.....	2043	2.00-2.40	70,991,649
Water - MCWT.....	2037	2.00-5.25	<u>22,363,247</u>
Subtotal Direct Borrowings Payable.....			<u>93,354,896</u>
Add: Unamortized premium on bonds.....			<u>4,902,370</u>
Total Long-Term Debt Payable, net.....			<u><u>\$ 190,428,308</u></u>

Debt service requirements for principal and interest for enterprise fund long term debt payable in future years was as follows:

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2023.....	\$ 6,065,542	\$ 3,509,924	\$ 9,575,466
2024.....	5,858,900	3,083,665	8,942,565
2025.....	6,045,200	2,811,318	8,856,518
2026.....	5,892,400	2,537,658	8,430,058
2027.....	6,064,300	2,263,052	8,327,352
2028.....	6,231,500	1,979,525	8,211,025
2029.....	4,185,000	1,739,113	5,924,113
2030.....	4,135,600	1,546,746	5,682,346
2031.....	4,007,600	1,364,800	5,372,400
2032.....	3,700,000	1,213,225	4,913,225
2033.....	3,610,000	1,077,326	4,687,326
2034.....	3,645,000	951,404	4,596,404
2035.....	3,440,000	841,151	4,281,151
2036.....	3,510,000	739,744	4,249,744
2037.....	2,745,000	651,224	3,396,224
2038.....	2,805,000	567,983	3,372,983
2039.....	2,450,000	497,511	2,947,511
2040.....	2,510,000	432,261	2,942,261
2041.....	2,445,000	367,286	2,812,286
2042.....	2,470,000	302,911	2,772,911
2043.....	2,465,000	237,318	2,702,318
2044.....	2,535,000	169,669	2,704,669
2045.....	2,605,000	99,735	2,704,735
2046.....	540,000	58,036	598,036
2047.....	560,000	45,314	605,314
2048.....	570,000	32,245	602,245
2049.....	370,000	21,257	391,257
2050.....	375,000	12,410	387,410
2051.....	335,000	3,978	338,978
Total.....	\$ <u>92,171,042</u>	\$ <u>29,157,790</u>	\$ <u>121,328,832</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2023.....	\$ 5,965,824	\$ 2,041,801	\$ 8,007,625
2024.....	5,751,057	1,894,095	7,645,152
2025.....	5,878,910	1,756,782	7,635,692
2026.....	5,464,434	1,639,480	7,103,914
2027.....	5,297,335	1,522,424	6,819,759
2028.....	5,259,930	1,407,176	6,667,106
2029.....	5,164,089	1,293,032	6,457,121
2030.....	5,173,703	1,179,502	6,353,205
2031.....	5,292,368	1,064,442	6,356,810
2032.....	4,926,340	951,607	5,877,947
2033.....	5,040,692	841,028	5,881,720
2034.....	4,839,639	729,172	5,568,811
2035.....	4,952,474	619,763	5,572,237
2036.....	4,958,252	507,792	5,466,044
2037.....	4,860,806	395,375	5,256,181
2038.....	4,041,180	288,029	4,329,209
2039.....	4,136,986	194,296	4,331,282
2040.....	3,034,377	112,861	3,147,238
2041.....	1,624,551	59,472	1,684,023
2042.....	835,315	30,201	865,516
2043.....	856,634	10,151	866,785
Total.....	\$ <u>93,354,896</u>	\$ <u>18,538,481</u>	\$ <u>111,893,377</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 \$205,000 and interest costs for \$73,000. 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 2022 principal and interest subsidies totaled approximately \$108,000 and \$80,000, respectively.

In order to take advantage of favorable interest rates, the City issued \$2.6 million of general obligation refunding bonds on September 15, 2021, as part of a \$39.3 million issuance. Of the refunding bonds, \$964,000 was governmental and \$1.7 million was for the sewer enterprise fund. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$3.2 million and became callable on November 15, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$377,000 and a reduction of \$412,000 in future debt service payments.

In order to take advantage of favorable interest rates, the City issued \$3.9 million of general obligation state qualified refunding bonds on December 16, 2021. The governmental fund bond was for the prior recovery zone economic development issuance. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$4.3 million and became callable on January 15, 2022. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$390,000 and a reduction of \$402,000 in future debt service payments.

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, 2022, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
High school construction.....	\$ 318,004,469
Wet-weather storage facility.....	16,000,000
Water storage tank.....	15,000,000
Wet-weather treatment facility.....	15,000,000
Drinking water facility upgrades.....	9,000,000
George Ayotte & Joseph Downes parking garage repairs..	7,508,000
Remote station upgrades - various pump stations.....	7,380,000
Water legal and engineering services.....	7,000,000
Sewer legal and engineering services.....	6,325,000
All other projects.....	75,589,057
<b>Total.....</b>	<b>\$ 476,806,526</b>

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Long-term Debt Issued	Long-term Debt Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 113,290,636	\$ 45,398,051	\$ (8,197,400)	\$ 4,894,000	\$ (5,460,000)	\$ 149,925,287	\$ 7,574,458
Add: Unamortized premium on bonds....	10,645,628	1,168,755	(1,399,276)	-	-	10,415,107	1,389,565
Total long-term debt.....	123,936,264	46,566,806	(9,596,676)	4,894,000	(5,460,000)	160,340,394	8,964,023
Right to use lease liabilities.....	-	-	-	7,142,788	(392,966)	6,749,822	1,102,445
Compensated absences.....	16,376,591	-	-	11,975,502	(7,878,567)	20,473,526	9,183,369
Workers' compensation.....	5,872,800	-	-	900,800	(1,061,600)	5,712,000	1,583,000
Net pension liability.....	260,174,916	-	-	60,630,395	(123,093,386)	197,711,925	-
Net OPEB liability.....	859,367,705	-	-	5,979,425	(238,857,313)	626,489,817	-
Total governmental activity long-term liabilities.....	<u>\$ 1,265,728,276</u>	<u>\$ 46,566,806</u>	<u>\$ (9,596,676)</u>	<u>\$ 91,522,910</u>	<u>\$ (376,743,832)</u>	<u>\$ 1,017,477,484</u>	<u>\$ 20,832,837</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 97,555,250	\$ 938,642	\$ (5,987,600)	\$ 1,664,750	\$ (2,000,000)	\$ 92,171,042	\$ 6,065,542
Direct borrowings payable.....	99,225,290	-	(5,870,394)	-	-	93,354,896	5,965,824
Add: Unamortized premium on bonds....	5,234,801	565,013	(897,444)	-	-	4,902,370	722,939
Total long-term debt.....	202,015,341	1,503,655	(12,755,438)	1,664,750	(2,000,000)	190,428,308	12,754,305
Compensated absences.....	865,991	-	-	561,554	(491,552)	935,993	551,427
Net pension liability.....	18,324,478	-	-	11,363,200	(3,514,141)	26,173,537	-
Net OPEB liability.....	23,846,791	-	-	165,924	(6,628,105)	17,384,610	-
Total business-type activity long-term liabilities.....	<u>\$ 245,052,601</u>	<u>\$ 1,503,655</u>	<u>\$ (12,755,438)</u>	<u>\$ 13,755,428</u>	<u>\$ (12,633,798)</u>	<u>\$ 234,922,448</u>	<u>\$ 13,305,732</u>

Compensated absences, lease obligations, 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 9 – 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 was \$13,937,000 and was 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, special education, equity and inclusion stabilization, and municipal facility stabilization funds, were reported as committed fund balance within the general fund, had year end balances of \$9,000, \$2,000, \$5,000, \$321,000, \$2,000,000, \$2,949,000, \$185,000 and \$1,199,000 respectively.

As of June 30, 2022, fund balances consisted of the following:

	General	COVID-19 Grant Fund	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 1,885,702	\$ 1,885,702
Working capital deposit.....	237,700	-	-	-	237,700
Restricted for:					
Chapter 17 special reserve.....	1,150	-	-	-	1,150
COVID-19 grants.....	-	55,560	-	-	55,560
High school construction.....	-	-	35,613,644	-	35,613,644
Gifts and grants.....	-	-	-	13,450,158	13,450,158
Federal grants.....	-	-	-	164,963	164,963
Sale of City property.....	-	-	-	2,088,161	2,088,161
Community preservation fund.....	-	-	-	2,857,503	2,857,503
Revolving.....	-	-	-	8,787,051	8,787,051
Other special revenue.....	-	-	-	3,261,740	3,261,740
Other capital projects.....	-	-	-	14,319,822	14,319,822
Expendable permanent funds.....	-	-	-	349,536	349,536
Committed to:					
Salary reserve stabilization.....	2,000,010	-	-	-	2,000,010
Employee benefits and mitigation.....	321,104	-	-	-	321,104
Capital debt service stabilization.....	5,492	-	-	-	5,492
Pension assessment stabilization.....	9,038	-	-	-	9,038
School construction stabilization.....	2,163	-	-	-	2,163
Special education stabilization.....	2,948,909	-	-	-	2,948,909
Equity/inclusion stabilization.....	184,674	-	-	-	184,674
Municipal facilities stabilization.....	1,199,026	-	-	-	1,199,026
Assigned to:					
General government.....	84,033	-	-	-	84,033
Public safety.....	54,561	-	-	-	54,561
Education.....	2,626,080	-	-	-	2,626,080
Public works.....	102,352	-	-	-	102,352
Culture and recreation.....	193,193	-	-	-	193,193
Unassigned.....	28,525,935	-	-	-	28,525,935
<b>Total Fund Balances.....</b>	<b>\$ 38,495,420</b>	<b>\$ 55,560</b>	<b>\$ 35,613,644</b>	<b>\$ 47,164,636</b>	<b>\$ 121,329,260</b>

**NOTE 10 – 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 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 recorded a liability of \$5.7 million at June 30, 2022, which represented an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2020, were as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2021.....	\$ 3,373,400	\$ 3,444,763	\$ (945,363)	\$ 5,872,800	\$ 1,061,600
2022.....	5,872,800	1,138,200	(1,299,000)	5,712,000	1,583,000

**NOTE 11 – 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, 2021. The City’s portion of the collective pension expense, contributed by the Commonwealth, of \$26,643,061 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 \$332,017,994 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, 2021.

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, 2021, the System membership consisted of the following:

Active members.....	1,698
Inactive members.....	337
Retirees and beneficiaries currently receiving benefits....	<u>1,356</u>
Total.....	<u><u>3,391</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 System 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, 2021, was \$31,775,438, or 31.35% 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 \$30,059,564, which equaled its actual contribution.

*Pension Liabilities*

The components of the net pension liability of the participating member units at December 31, 2021, were as follows:

Total pension liability.....	\$	783,498,341
Less: pension plan's fiduciary net position.....		<u>(546,832,948)</u>
Total net pension liability.....	\$	<u>236,665,393</u>
The pension plan's fiduciary net position as		
a percentage of the total pension liability.....		69.79%

At June 30, 2022, the City reported a liability of \$223,885,462 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. Accordingly, procedures were used to update 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, 2021, the City's proportion was 94.60%, which decreased from its proportion of 94.83% in the prior year.

*Pension Expense*

For the year ended June 30, 2022, the City recognized a pension expense of \$18,554,068. At June 30, 2022, the City reported deferred outflows and inflows of resources related to pensions of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (3,742,298)	\$ (3,742,298)
Difference between projected and actual earnings, net.....	-	(53,978,198)	(53,978,198)
Changes in assumptions.....	29,584,674	-	29,584,674
Changes in proportion and proportionate share of contributions....	<u>3,062,767</u>	<u>(2,037,469)</u>	<u>1,025,298</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>32,647,441</u>	\$ <u>(59,757,965)</u>	\$ <u>(27,110,524)</u>

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

<u>Year ended June 30:</u>	
2023.....	\$ (4,936,486)
2024.....	(10,834,249)
2025.....	(5,901,213)
2026.....	(5,358,760)
2027.....	<u>(79,816)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>(27,110,524)</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021:

Valuation date.....	January 1, 2021
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, 2037, with annual increases in appropriations limited to 5.2%.
Asset valuation method.....	The Actuarial Value of Assets is the fair 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 fair value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of fair value.
Investment rate of return.....	7.10%, net of pension plan investment expense, including inflation.
Discount rate.....	7.10%
Inflation rate.....	2.30% per year.
Projected salary increases.....	6.00% - 4.25% for Group 1 (based on service). 7.00% - 4.75% for Group 4 (based on service).
Payroll growth.....	3.50% per year.
Cost of living adjustments.....	3.00% of the first \$17,000 of the annual retirement allowance.
Mortality rates.....	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

*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, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity.....	38.00%	4.32%
Core fixed income.....	15.00%	0.80%
Value-added fixed income.....	8.00%	4.10%
Private equity.....	15.00%	7.80%
Real estate.....	10.00%	3.70%
Timber/natural resources.....	4.00%	4.30%
Portfolio completion.....	10.00%	3.10%
Total.....	100.00%	

*Rate of Return*

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.16%. 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 7.10% at December 31, 2021 and December 31, 2020. 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 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount (7.10%)	1% Increase (8.10%)
	December 31, 2021 Measurement Date		
The City's proportionate share of the net pension liability.....	\$ 309,119,720	\$ 223,885,462	\$ 152,020,705
LCRS total net pension liability.....	\$ 326,765,032	\$ 236,665,393	\$ 160,698,420

*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 2022 was \$24,000.

*Changes in Assumptions* – None.

*Changes in Plan Provisions* – None.

**NOTE 12 – 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 2022, the City contributed \$19.5 million to the plan. For the year ended June 30, 2022, the City’s average contribution rate was 9.36% 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. During 2022 the City pre-funded future OPEB liabilities totaling \$889,026 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2022, the net position of the OPEB trust fund totaled \$12.5 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

*Plan Membership*

The following table represents the Plan’s membership at July 1, 2020:

Active members.....	2,929
Inactive members currently receiving benefits....	<u>2,318</u>
Total.....	<u><u>5,247</u></u>

*Components of OPEB Liability*

The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$ 656,404,341
Less: OPEB plan’s fiduciary net position.....	<u>(12,529,914)</u>
Net OPEB liability.....	<u><u>\$ 643,874,427</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability..	1.91%

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the July 1, 2020, 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, 2022:

Valuation date.....	July 1, 2020.
Actuarial cost method.....	Entry age normal as a percentage of payroll.
Asset valuation method.....	Fair value of assets as of the reporting date, June 30, 2022.
Investment rate of return.....	3.42%.
Discount rate.....	3.77%, previously 2.09%.
Projected salary increases.....	3.0% per year.

Healthcare cost trend rate.....	7.00%, decreasing by 0.25% per year to an ultimate rate of 4.50% for 2032 and later.
Mortality rates.....	Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2020.

*Rate of Return*

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -13.79%. 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 – 3.54%, S&P Municipal Bond 20 Year High Grade Rate Index – 4.09%, and Fidelity GA AA 20 Years – 3.69% as of June 30, 2022. The Plan’s expected future real rate of return as of June 30, 2022 was 3.77%.

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, 2022 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%	4.96%
International equity.....	10.00%	7.01%
Domestic bond.....	35.00%	2.22%
International bond.....	10.00%	1.23%
Alternatives.....	20.00%	2.76%
Total.....	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.77% as of June 30, 2022 and 2.09% as of June 30, 2021. 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)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021.....	\$ 896,742,419	\$ 13,527,923	\$ 883,214,496
Changes for the year:			
Service cost.....	11,779,107	-	11,779,107
Interest.....	33,457,104	-	33,457,104
Changes in assumptions and other inputs.....	(267,002,137)	-	(267,002,137)
Benefit payments.....	(18,572,152)	(18,572,152)	-
Contributions from employer.....	-	19,461,178	(19,461,178)
Investment income/(loss).....	-	(1,887,035)	1,887,035
Net change.....	<u>(240,338,078)</u>	<u>(998,009)</u>	<u>(239,340,069)</u>
Balances at June 30, 2022.....	<u>\$ 656,404,341</u>	<u>\$ 12,529,914</u>	<u>\$ 643,874,427</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 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate.

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
Net OPEB liability... \$	<u>782,669,274</u>	<u>643,874,427</u>	<u>537,927,968</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>526,528,700</u>	<u>643,874,427</u>	<u>799,849,554</u>

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$42,127,180 and reported deferred outflows and inflows of resources related to OPEB of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between projected and actual earnings, net.....	\$ 1,885,343	\$ -	\$ 1,885,343
Changes in assumptions.....	<u>125,023,570</u>	<u>(235,830,784)</u>	<u>(110,807,214)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 126,908,913</u>	<u>\$ (235,830,784)</u>	<u>\$ (108,921,871)</u>

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

Year ended June 30:

2023.....	\$ (2,639,388)
2024.....	(2,639,388)
2025.....	(9,845,353)
2026.....	(26,223,637)
2027.....	(35,127,285)
2028.....	<u>(32,446,820)</u>
Total deferred outflows/(inflows) of resources....	<u>\$ (108,921,871)</u>

*Changes of Assumptions* – The discount rate increased from 2.09% to 3.77%.

*Changes in Plan Provisions* – None.

**NOTE 13 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

GAAP requires that all Pension and Other Employee 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, 2021)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 12,522,114	\$ 66,697	\$ 12,588,811
Investments:			
Investments in Pension Reserve Investment Trust.....	534,025,135	-	534,025,135
Equity securities.....	-	1,551,032	1,551,032
Equity mutual funds.....	285,699	7,343,240	7,628,939
Bond mutual funds.....	-	3,568,945	3,568,945
<b>TOTAL ASSETS.....</b>	<b>546,832,948</b>	<b>12,529,914</b>	<b>559,362,862</b>
<b>NET POSITION</b>			
Restricted for pensions.....	546,832,948	-	546,832,948
Restricted for other postemployment benefits.....	-	12,529,914	12,529,914
<b>TOTAL NET POSITION.....</b>	<b>\$ 546,832,948</b>	<b>\$ 12,529,914</b>	<b>\$ 559,362,862</b>

	Pension Trust Fund (as of December 31, 2021)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 31,775,438	\$ 889,026	\$ 32,664,464
Employer contributions for other postemployment benefit payments..	-	18,572,152	18,572,152
Member contributions.....	10,417,970	-	10,417,970
Transfers from other systems.....	196,262	-	196,262
3(8)c contributions from other systems.....	906,696	-	906,696
State COLA reimbursements.....	196,684	-	196,684
<b>Total contributions.....</b>	<b>43,493,050</b>	<b>19,461,178</b>	<b>62,954,228</b>
Net investment income:			
Investment income/(loss).....	90,566,724	(1,887,035)	88,679,689
Less: investment expense.....	(2,468,918)	-	(2,468,918)
<b>Net investment income/(loss).....</b>	<b>88,097,806</b>	<b>(1,887,035)</b>	<b>86,210,771</b>
<b>TOTAL ADDITIONS.....</b>	<b>131,590,856</b>	<b>17,574,143</b>	<b>149,164,999</b>
<b>DEDUCTIONS:</b>			
Administration.....	404,586	-	404,586
Transfers to other systems.....	1,200,227	-	1,200,227
3(8)c transfer to other systems.....	1,627,568	-	1,627,568
Retirement benefits and refunds.....	45,291,728	-	45,291,728
Other postemployment benefit payments.....	-	18,572,152	18,572,152
<b>TOTAL DEDUCTIONS.....</b>	<b>48,524,109</b>	<b>18,572,152</b>	<b>67,096,261</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>83,066,747</b>	<b>(998,009)</b>	<b>82,068,738</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>463,766,201</b>	<b>13,527,923</b>	<b>477,294,124</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 546,832,948</b>	<b>\$ 12,529,914</b>	<b>\$ 559,362,862</b>

**NOTE 14 – TAX INCREMENT FINANCING AGREEMENTS**

The City enters into tax increment financing (TIF) agreements with local businesses under Chapter 40, Section 59 of the Massachusetts General Laws. Under this section of the law, localities may grant property tax exemptions of a business’ property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The exemptions may be granted to any business located within or promising to relocate to the City. At June 30, 2022, there were 11 agreements in place which extend out until 2035. These all represent new construction and permanent job opportunities within the City. For the fiscal year ended 2022, the City exempted property taxes totaling \$2,255,200 under these agreements.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

**NOTE 15 – COMMITMENTS**

The City has entered into, or is planning to enter into, contracts totaling approximately \$476.8 million for high school construction, water and sewer infrastructure projects, and various other capital projects. These projects will be funded through the issuance of long-term debt, state grants, and federal grants.

The general fund has various commitments for goods and services related to encumbrances totaling \$3.1 million.

**NOTE 16 – 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. Based on review of the various claims asserted against the City, it has been determined that a negative outcome is both probable and reasonably able to be estimated. As of June 30, 2022, the City has reflected \$5 million as a legal settlement reserve to assist in any claims or judgements asserted against the City.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued.

The Retirement System carries its investments at fair (market) value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to year end, the System's investment of \$534,025,135 in the Pension Reserves Investment Trust (PRIT), as determined by PRIT, has declined in value by approximately (\$56 million). The market value decline is consistent with recent trends in the overall financial securities market.

In accordance with GAAP, the System has not recorded the losses in its financial statements as the impairments were not known as of December 31, 2021. The System has recorded the losses associated with the investments during calendar year 2022.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.

- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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

***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 152,502,267	\$ 152,502,267	\$ 152,502,267	\$ 151,333,329	\$ -	\$ (1,168,938)
Tax liens.....	-	-	-	-	653,055	-	653,055
Motor vehicle and other excise taxes.....	-	9,500,598	9,500,598	9,500,598	10,200,462	-	699,864
Hotel/motel tax.....	-	79,238	79,238	79,238	109,798	-	30,560
Meals tax.....	-	1,125,000	1,125,000	1,125,000	1,470,028	-	345,028
Trash disposal.....	-	3,200,000	3,200,000	3,200,000	3,320,734	-	120,734
Penalties and interest on taxes.....	-	1,285,000	1,285,000	1,285,000	1,404,545	-	119,545
Payments in lieu of taxes.....	-	425,000	425,000	425,000	440,600	-	15,600
Intergovernmental - state aid.....	-	213,977,997	213,977,997	213,977,997	214,995,489	-	1,017,492
Intergovernmental - School Building Authority.....	-	1,192,790	1,192,790	1,192,790	1,192,790	-	-
Departmental and other.....	-	7,405,220	7,405,220	7,405,220	9,713,880	-	2,308,660
Investment income.....	-	485,264	485,264	485,264	325,250	-	(160,014)
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>391,178,374</b>	<b>391,178,374</b>	<b>391,178,374</b>	<b>395,159,960</b>	<b>-</b>	<b>3,981,586</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government.....	189,052	19,779,414	19,968,466	19,262,149	16,871,024	84,033	2,307,092
Public safety.....	55,975	53,307,942	53,363,917	54,519,896	53,914,776	54,561	550,559
Education.....	9,032,439	185,200,339	194,232,778	192,920,486	189,719,222	2,626,080	575,184
Public works.....	84,737	15,576,430	15,661,167	16,020,968	15,530,709	102,352	387,907
Health and human services.....	-	4,718,633	4,718,633	4,752,133	4,299,299	-	452,834
Culture and recreation.....	189,648	4,361,779	4,551,427	4,693,171	4,147,811	193,193	352,167
Pension benefits.....	-	30,084,564	30,084,564	30,084,564	30,081,702	-	2,862
Employee benefits.....	-	47,859,320	47,859,320	49,086,346	48,572,416	-	513,930
State and county charges.....	-	34,839,738	34,839,738	34,839,738	34,184,770	-	654,968
<b>Debt service:</b>							
Principal.....	-	8,430,874	8,430,874	8,197,400	8,197,400	-	-
Interest.....	-	5,263,344	5,263,344	5,191,818	4,669,224	-	522,594
<b>TOTAL EXPENDITURES.....</b>	<b>9,551,851</b>	<b>409,422,377</b>	<b>418,974,228</b>	<b>419,568,669</b>	<b>410,188,353</b>	<b>3,060,219</b>	<b>6,320,097</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(9,551,851)</b>	<b>(18,244,003)</b>	<b>(27,795,854)</b>	<b>(28,390,295)</b>	<b>(15,028,393)</b>	<b>(3,060,219)</b>	<b>10,301,683</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in.....	-	18,665,835	18,665,835	18,803,835	18,803,835	-	-
Transfers out.....	-	(304,935)	(304,935)	(18,406,871)	(18,406,871)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>18,360,900</b>	<b>18,360,900</b>	<b>396,964</b>	<b>396,964</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(9,551,851)</b>	<b>116,897</b>	<b>(9,434,954)</b>	<b>(27,993,331)</b>	<b>(14,631,429)</b>	<b>(3,060,219)</b>	<b>10,301,683</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>31,960,366</b>	<b>31,960,366</b>	<b>31,960,366</b>	<b>31,960,366</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (9,551,851)</b>	<b>\$ 32,077,263</b>	<b>\$ 22,525,412</b>	<b>\$ 3,967,035</b>	<b>\$ 17,328,937</b>	<b>\$ (3,060,219)</b>	<b>\$ 10,301,683</b>

See notes to required supplementary information.

# ***Pension Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability and Related Ratios 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
<b>Total pension liability:</b>				
Service cost.....	\$ 12,776,431	\$ 12,776,431	\$ 15,389,829	\$ 14,902,167
Interest.....	39,817,736	42,298,799	45,581,124	47,847,969
Changes in benefit terms.....	-	-	5,820,520	-
Differences between expected and actual experience.....	-	5,750,829	-	(8,810,808)
Changes in assumptions.....	-	31,423,849	-	-
Benefit payments.....	<u>(33,577,831)</u>	<u>(35,136,789)</u>	<u>(35,772,737)</u>	<u>(38,335,654)</u>
Net change in total pension liability.....	19,016,336	57,113,119	31,018,736	15,603,674
Total pension liability - beginning.....	<u>514,510,622</u>	<u>533,526,958</u>	<u>590,640,077</u>	<u>621,658,813</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>
<b>Plan fiduciary net position:</b>				
Employer contributions.....	\$ 21,880,170	\$ 21,837,654	\$ 24,701,289	\$ 26,141,731
Member contributions.....	8,983,678	8,903,043	8,204,174	8,451,653
Net investment income (loss).....	21,617,178	1,213,427	21,730,686	54,289,195
Administrative expenses.....	(358,770)	(355,999)	(367,634)	(381,369)
Retirement benefits and refunds.....	<u>(33,577,831)</u>	<u>(35,136,789)</u>	<u>(35,772,737)</u>	<u>(38,335,654)</u>
Net increase (decrease) in fiduciary net position.....	18,544,425	(3,538,664)	18,495,778	50,165,556
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>
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>
<b>Net pension liability - ending (a)-(b).....</b>	<u>\$ 219,059,253</u>	<u>\$ 279,711,036</u>	<u>\$ 292,233,994</u>	<u>\$ 257,672,112</u>
Plan fiduciary net position as a percentage of the total pension liability.....	58.94%	52.64%	52.99%	59.57%
Covered payroll.....	\$ 80,555,739	\$ 89,520,851	\$ 92,654,081	\$ 93,366,659
Net pension liability as a percentage of covered payroll.....	271.94%	312.45%	315.40%	275.98%

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.

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
\$	15,498,254	\$ 15,425,214	\$ 16,042,223	\$ 18,406,022
	49,064,991	50,412,209	52,261,974	53,459,239
	-	-	-	-
	(5,025,406)	-	(1,012,629)	-
	6,798,633	-	44,598,349	-
	<u>(39,328,169)</u>	<u>(41,425,669)</u>	<u>(43,123,465)</u>	<u>(45,815,916)</u>
	27,008,303	24,411,754	68,766,452	26,049,345
	<u>637,262,487</u>	<u>664,270,790</u>	<u>688,682,544</u>	<u>757,448,996</u>
\$	<u>664,270,790</u>	<u>688,682,544</u>	<u>757,448,996</u>	<u>783,498,341</u>
\$	27,448,818	\$ 28,821,259	\$ 30,262,322	\$ 31,775,438
	9,311,730	9,181,343	10,246,145	9,414,005
	(8,694,089)	57,232,976	45,371,767	88,097,806
	(347,172)	(397,038)	(384,932)	(404,586)
	<u>(39,328,169)</u>	<u>(41,425,669)</u>	<u>(43,123,465)</u>	<u>(45,815,916)</u>
	(11,608,882)	53,412,871	42,371,837	83,066,747
	<u>379,590,375</u>	<u>367,981,493</u>	<u>421,394,364</u>	<u>463,766,201</u>
\$	<u>367,981,493</u>	<u>421,394,364</u>	<u>463,766,201</u>	<u>546,832,948</u>
\$	<u>296,289,297</u>	<u>267,288,180</u>	<u>293,682,795</u>	<u>236,665,393</u>
	55.40%	61.19%	61.23%	69.79%
\$	95,896,286	\$ 100,274,819	\$ 100,140,377	\$ 101,362,725
	308.97%	266.56%	293.27%	233.48%

**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, 2021.....	\$ 31,775,438	\$ (31,775,438)	\$ -	\$ 101,362,725	31.35%
December 31, 2020.....	30,262,322	(30,262,322)	-	100,140,377	30.22%
December 31, 2019.....	28,821,259	(28,821,259)	-	100,274,819	28.74%
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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2021.....	19.16%
December 31, 2020.....	11.15%
December 31, 2019.....	15.66%
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**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	94.60%	\$ 223,885,462	\$ 96,010,755	233.19%	69.79%
December 31, 2020.....	94.83%	278,499,394	94,725,305	294.01%	61.23%
December 31, 2019.....	94.47%	252,502,172	95,093,940	265.53%	61.19%
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, 2022.....	\$ 30,059,564	\$ (30,059,564)	-	\$ 96,970,863	31.00%
June 30, 2021.....	28,697,760	(28,697,760)	-	95,672,558	30.00%
June 30, 2020.....	27,226,906	(27,226,906)	-	96,044,879	28.35%
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**

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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
2022.....	\$ 332,017,994	\$ 26,643,061	62.03%
2021.....	413,578,089	51,082,819	50.67%
2020.....	366,012,093	44,385,319	53.95%
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	June 30, 2020	June 30, 2021	June 30, 2022
<b>Total OPEB Liability</b>						
Service Cost.....	\$ 10,192,342	\$ 10,498,112	\$ 11,525,661	\$ 12,639,310	\$ 19,252,433	\$ 11,779,107
Interest.....	17,960,577	20,887,779	21,190,499	17,027,944	17,490,985	33,457,104
Changes of assumptions.....	73,907,164	-	74,151,731	127,938,324	32,629,852	(267,002,137)
Benefit payments.....	(18,020,360)	(18,831,118)	(18,702,541)	(18,125,670)	(19,040,136)	(18,572,152)
Net change in total OPEB liability.....	84,039,723	12,554,773	88,165,350	139,479,908	50,333,134	(240,338,078)
Total OPEB liability - beginning.....	522,169,531	606,209,254	618,764,027	706,929,377	846,409,285	896,742,419
Total OPEB liability - ending (a).....	<u>\$ 606,209,254</u>	<u>\$ 618,764,027</u>	<u>\$ 706,929,377</u>	<u>\$ 846,409,285</u>	<u>\$ 896,742,419</u>	<u>\$ 656,404,341</u>
<b>Plan fiduciary net position</b>						
Employer contributions.....	\$ -	\$ -	\$ 251,363	\$ 374,000	\$ 200,000	\$ 889,026
Employer contributions for OPEB payments.....	18,020,360	18,831,118	18,702,541	18,125,670	19,040,136	18,572,152
Net investment income/(loss).....	288,646	395,691	899,145	367,242	2,719,451	(1,887,035)
Benefit payments.....	(18,020,360)	(18,831,118)	(18,702,541)	(18,125,670)	(19,040,136)	(18,572,152)
Net change in plan fiduciary net position.....	288,646	395,691	1,150,508	741,242	2,919,451	(998,009)
Plan fiduciary net position - beginning of year.....	8,032,385	8,321,031	8,716,722	9,867,230	10,608,472	13,527,923
Plan fiduciary net position - end of year (b).....	<u>\$ 8,321,031</u>	<u>\$ 8,716,722</u>	<u>\$ 9,867,230</u>	<u>\$ 10,608,472</u>	<u>\$ 13,527,923</u>	<u>\$ 12,529,914</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 597,888,223</u>	<u>\$ 610,047,305</u>	<u>\$ 697,062,147</u>	<u>\$ 835,800,813</u>	<u>\$ 883,214,496</u>	<u>\$ 643,874,427</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.37%	1.41%	1.40%	1.25%	1.51%	1.91%
Covered-employee payroll.....	\$ 185,336,940	\$ 185,336,940	\$ 193,066,083	\$ 193,066,083	\$ 207,847,190	\$ 207,847,190
Net OPEB liability as a percentage of covered-employee payroll.....	322.60%	329.16%	361.05%	432.91%	424.93%	309.78%

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, 2022.....	\$ 61,438,657	\$ (19,461,178)	\$ 41,977,479	\$ 207,847,190	9.36%
June 30, 2021.....	58,479,097	(19,240,136)	39,238,961	207,847,190	9.26%
June 30, 2020.....	46,145,149	(18,499,670)	27,645,479	193,066,083	9.58%
June 30, 2019.....	47,336,248	(18,953,904)	28,382,344	193,066,083	9.82%
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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-13.79%
June 30, 2021.....	25.60%
June 30, 2020.....	3.71%
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**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 City Auditor 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 (personnel services, ordinary 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 initial 2022 approved budget authorizing approximately \$419.3 million in current year appropriations, other financing uses, and other amounts to be raised and approximately \$9.6 million in encumbrances and appropriations carried over from previous years. During 2022, the Council also approved a net increase in appropriations of \$18.7 million which included the use of free cash of \$17.8 million for transfers to stabilization, the OPEB trust, revenue replacement for the three enterprise funds, transfers to capital for paving and sidewalks, and for the fire department ladder truck.

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.

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, 2022, is as follows:

Net change in fund balance - budgetary basis.....	\$ (14,631,429)
<u>Perspective differences:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	4,788,039
Activity of the employee benefit trust fund recorded in the general fund for GAAP.....	(42,669)
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	39,519
Recognition of revenue for on-behalf payments.....	26,643,061
Recognition of expenditures for on-behalf payments.....	<u>(26,643,061)</u>
Net change in fund balance - GAAP basis.....	<u>\$ (9,846,540)</u>

**NOTE B – PENSION PLAN**

***Pension Plan Schedules – Retirement System***

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.

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.

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***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.

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.

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.

Changes in Assumptions – None.

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**

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.

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, 2020.
Actuarial cost method.....	Entry age normal as a percentage of payroll.
Asset valuation method.....	Fair value of assets as of the reporting date, June 30, 2022.
Investment rate of return.....	3.42%.
Discount rate.....	3.77%, previously 2.09%.
Projected salary increases.....	3.0% per year.
Healthcare cost trend rate.....	7.00%, decreasing by 0.25% per year to an ultimate rate of 4.50% for 2032 and later.
Mortality rates.....	Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2020.

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.

Changes of Assumptions – The discount rate increased from 2.09% to 3.77%.

Changes in Provisions – None.