

CITY OF FRAMINGHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2019

CITY OF FRAMINGHAM, MASSACHUSETTS

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JUNE 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 on our consideration of the City of Framingham, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Framingham, Massachusetts' internal control over financial reporting and compliance.



March 30, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Framingham, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 government's net position changed during the most recent 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 and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, community development, culture and recreation, and interest. The business-type activities include the activities of the utility operations.

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 funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 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 of Framingham 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 enterprise funds to account for its utility activities.

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 self-insured employee health programs. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. The City's governmental liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$213.5 million at the close of 2019. This represents a decrease of \$8.4 million from the prior year.

Net position of \$134.5 million reflects the City's 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 governmental net position, \$10.6 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$358.6 million. The primary reasons for this deficit balance are the recognition of the net other postemployment benefit liabilities totaling \$379.8 million and a net pension liability of \$119.8 million, in accordance with recent requirements of Governmental Auditing Standards Board (GASB).

| | 2019 | 2018 |
|---|-------------------------|-------------------------|
| Assets: | | |
| Current assets..... | \$ 118,332,017 | \$ 109,823,720 |
| Noncurrent assets (excluding capital)..... | - | 1,306,971 |
| Capital assets, non depreciable..... | 25,044,751 | 31,035,059 |
| Capital assets, net of accumulated depreciation.... | 200,011,141 | 189,145,464 |
| Total assets..... | 343,387,909 | 331,311,214 |
| Deferred outflows of resources..... | 128,147,560 | 118,691,188 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 25,906,240 | 28,741,269 |
| Noncurrent liabilities (excluding debt)..... | 499,721,817 | 519,487,069 |
| Current debt..... | 13,708,385 | 12,567,713 |
| Noncurrent debt..... | 80,050,507 | 78,816,415 |
| Total liabilities..... | 619,386,949 | 639,612,466 |
| Deferred inflows of resources..... | 65,615,512 | 15,451,988 |
| Net position: | | |
| Net investment in capital assets..... | 134,457,238 | 134,036,977 |
| Restricted..... | 10,638,885 | 6,858,842 |
| Unrestricted..... | (358,563,115) | (345,957,871) |
| Total net position..... | \$ (213,466,992) | \$ (205,062,052) |

Governmental net position decreased during 2019 by \$8.4 million. Of this decrease, \$16.6 million is directly related to the increase in the net OPEB liability and the amortization of deferred outflows/inflows related to OPEB. Approximately \$4.4 million is related to changes in the City's net pension liability and the amortization of deferred outflows/inflows related to pensions. These decreases are offset by a \$7.6 million net increase in the City's general fund due to positive budgetary results. Net position also increased due to the receipt of \$2.3 million of capital grant revenue from the State's Chapter 90 highway improvement program.

The governmental expenses totaled \$350.8 million, of which \$119.3 million (34%) was directly supported by program revenues consisting of charges for services, operating and capital grants, and contributions. General revenues totaled \$223.1 million (64%), primarily from property taxes, motor vehicle and other excise taxes.

Governmental expenses increased \$13.1 million over the prior year. The primary reason for this increase was the \$16.6 million increase in the net OPEB liability and related deferred inflows/outflows of resources.

| | 2019 | 2018 |
|---|----------------------|-------------------------|
| Program Revenues: | | |
| Charges for services..... \$ | 18,858,586 | \$ 13,065,642 |
| Operating grants and contributions..... | 96,295,543 | 91,470,921 |
| Capital grants and contributions..... | 4,144,513 | 3,491,645 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 193,383,839 | 188,280,185 |
| Tax and other liens..... | 1,131,887 | 1,356,737 |
| Motor vehicle and other excise taxes..... | 11,906,707 | 12,020,822 |
| Penalties and interest on taxes..... | 970,439 | 1,379,948 |
| Payments in lieu of taxes..... | 694,814 | 677,441 |
| Grants and contributions not restricted to specific programs..... | 11,551,486 | 11,168,583 |
| Unrestricted investment income..... | 2,567,864 | 273,477 |
| Miscellaneous..... | 896,297 | 824,789 |
| Total revenues..... | 342,401,975 | 324,010,190 |
| Expenses: | | |
| General government..... | 18,046,210 | 17,462,405 |
| Public safety..... | 50,883,272 | 47,002,068 |
| Education..... | 238,449,332 | 230,715,394 |
| Public works..... | 25,776,620 | 24,555,836 |
| Health and human services..... | 3,592,233 | 3,209,351 |
| Culture and recreation..... | 11,767,679 | 11,930,531 |
| Interest..... | 2,291,569 | 2,825,644 |
| Total expenses..... | 350,806,915 | 337,701,229 |
| Change in net position..... | (8,404,940) | (13,691,039) |
| Net position, beginning of year..... | (205,062,052) | (191,371,013) |
| Net position, end of year..... \$ | (213,466,992) | \$ (205,062,052) |

Business-type Activities

The City's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$75.1 million at the close of 2019.

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 22,854,639 | \$ 29,764,884 |
| Noncurrent assets (excluding capital)..... | 1,062,368 | 1,209,584 |
| Capital assets, non depreciable..... | 9,500,865 | 1,155,573 |
| Capital assets, net of accumulated depreciation.... | 242,993,433 | 236,008,455 |
| Total assets..... | 276,411,305 | 268,138,496 |
| Deferred outflows of resources..... | 2,752,302 | 2,526,591 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 4,573,039 | 5,248,457 |
| Noncurrent liabilities (excluding debt)..... | 10,827,929 | 11,109,054 |
| Current debt..... | 15,188,840 | 15,323,551 |
| Noncurrent debt..... | 171,864,435 | 165,563,403 |
| Total liabilities..... | 202,454,243 | 197,244,465 |
| Deferred inflows of resources..... | 1,627,611 | 777,827 |
| Net position: | | |
| Net investment in capital assets..... | 67,605,133 | 58,333,267 |
| Unrestricted..... | 7,476,620 | 14,309,528 |
| Total net position..... | \$ 75,081,753 | \$ 72,642,795 |

Business-type net position of \$67.6 million (90%) represents net investment in capital assets. The remaining \$7.5 million (10%) is available to be used for the ongoing operation of the City's utility activities. There was an overall \$2.4 million increase in net position as a result of principal payments on long term debt exceeding depreciation expense; offset by user charge revenues coming in less than budgeted.

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 47,149,380 | \$ 48,362,778 |
| Operating grants and contributions..... | 1,884,201 | - |
| Unrestricted investment income..... | 51,930 | 39,161 |
| Total revenues..... | 49,085,511 | 48,401,939 |
| Expenses: | | |
| Utility services..... | 46,646,553 | 45,869,369 |
| Total expenses..... | 46,646,553 | 45,869,369 |
| Change in net position..... | 2,438,958 | 2,532,570 |
| Net position, beginning of year..... | 72,642,795 | 70,110,225 |
| Net position, end of year..... | \$ 75,081,753 | \$ 72,642,795 |

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.

In accordance with generally accepted accounting standards, the City reports the components of fund balance as nonspendable, restricted, committed, assigned and unassigned, based on restrictions on spending. Additionally, the City's stabilization funds are reported within the general fund as unassigned.

As of the end of the current year, governmental funds reported combined ending fund balances of \$82.2 million of which \$60.9 million is reported in the general fund, \$896,000 in the School Capital Projects fund and \$20.4 million is reported in the nonmajor governmental funds. Cumulatively there was an increase of \$9.5 million in fund balances from the prior year.

The general fund is the City's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$53.0 million, while \$5.9 million is assigned for carryover encumbrances and free cash used to fund the subsequent year's budget, \$1.9 million is committed for continuing articles, and \$37,000 is restricted for future debt service. Total fund balance of the general fund was \$60.9 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 general fund expenditures. Unassigned fund balance represents 17.6% of total general fund expenditures, while total fund balance represents 20.2% of that same amount.

The School Capital Projects funds ended the year with a fund balance of \$896,000, an increase of \$306,000 over the prior year. This increase was mainly due to the timing different between expenditures and the receipt of reimbursements from state funds and bond and note proceeds.

Nonmajor governmental funds ended the year with a fund balance of \$20.4 million, an increase of \$1.6 million over the prior year. This increase in fund balance is attributable to the timing difference between the expenditure and subsequent reimbursement of state and federal grant funds.

General Fund Budgetary Highlights

The original 2019 approved general fund operating budget authorizing \$285.3 million in current year appropriations, other financing uses, and other amounts to be raised and \$3.6 million in encumbrances and appropriations carried over from previous years. During 2019, the Council approved supplemental appropriations totaling \$2.2 million mainly for the use of funding capital projects.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$477.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, vehicles and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current year was \$20.2 million.

The major reason for the increase in governmental capital asset activity includes the capitalization of renovations at the Loring Arena, police vehicles and other public safety improvements, public works equipment, the purchase of conservation land, as well as various roadway infrastructure upgrades and improvements.

The major reason for the increase in utility fund capital assets is due to the City's ongoing investment in the infrastructure that supports the distribution and collection systems of the fund.

Debt Administration. The City of Framingham maintains a Moody's Bond Rating of Aa2. Outstanding long-term debt of the general government, as of June 30, 2019, totaled approximately \$86.6 million. This figure is inclusive of \$7.3 million of short-term bond anticipation notes that were permanently financed subsequent to year end.

The utility enterprise fund has \$186.9 million in long-term debt. This figure is inclusive of \$9.6 million of short-term bond anticipation notes that were permanently financed subsequent to year end. All of the debt carried by the utility enterprise fund is supported by the user rates with no subsidy from the general fund.

The City's long-term debt increased by \$7.7 million in the current year due to the issuance of \$21.4 million of long-term bonds, offset by \$13.6 million of principal payments.

Please refer to notes 4, 6, 7, and 8 in the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Framingham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City Hall, 150 Concord Street, Framingham, MA 01702.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 71,107,387 | \$ 9,373,345 | \$ 80,480,732 |
| Investments..... | 28,847,120 | - | 28,847,120 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 2,042,117 | - | 2,042,117 |
| Tax liens..... | 2,501,246 | - | 2,501,246 |
| Motor vehicle and other excise taxes..... | 1,434,997 | - | 1,434,997 |
| User charges..... | - | 13,401,354 | 13,401,354 |
| Departmental and other..... | 152,947 | - | 152,947 |
| Intergovernmental..... | 11,583,725 | 76,179 | 11,659,904 |
| Special assessments..... | - | 3,761 | 3,761 |
| Loans..... | 208,725 | - | 208,725 |
| Other assets..... | 453,753 | - | 453,753 |
| Total current assets..... | 118,332,017 | 22,854,639 | 141,186,656 |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental..... | - | 758,726 | 758,726 |
| Special assessments..... | - | 303,642 | 303,642 |
| Capital assets, nondepreciable..... | 25,044,751 | 9,500,865 | 34,545,616 |
| Capital assets, net of accumulated depreciation..... | 200,011,141 | 242,993,433 | 443,004,574 |
| Total noncurrent assets..... | 225,055,892 | 253,556,666 | 478,612,558 |
| TOTAL ASSETS..... | 343,387,909 | 276,411,305 | 619,799,214 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 26,189,475 | 671,525 | 26,861,000 |
| Deferred outflows related to other postemployment benefits..... | 101,958,085 | 2,080,777 | 104,038,862 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | 128,147,560 | 2,752,302 | 130,899,862 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 8,322,634 | 3,282,160 | 11,604,794 |
| Accrued payroll..... | 11,393,774 | 135,645 | 11,529,419 |
| Health claims payable..... | 42,651 | - | 42,651 |
| Tax refunds payable..... | 857,311 | - | 857,311 |
| Accrued interest..... | 359,241 | 922,470 | 1,281,711 |
| Other liabilities..... | 662,211 | 18,886 | 681,097 |
| Capital lease obligations..... | 555,712 | - | 555,712 |
| Compensated absences..... | 4,268,418 | 213,878 | 4,482,296 |
| Notes payable..... | 1,214,751 | 113,206 | 1,327,957 |
| Bonds payable..... | 11,937,922 | 15,075,634 | 27,013,556 |
| Total current liabilities..... | 39,614,625 | 19,761,879 | 59,376,504 |
| NONCURRENT: | | | |
| Capital lease obligations..... | 5,390,372 | - | 5,390,372 |
| Compensated absences..... | 87,110 | 4,364 | 91,474 |
| Net pension liability..... | 119,808,000 | 3,072,000 | 122,880,000 |
| Net other postemployment benefits liability..... | 379,826,707 | 7,751,565 | 387,578,272 |
| Bonds payable..... | 74,660,135 | 171,864,435 | 246,524,570 |
| Total noncurrent liabilities..... | 579,772,324 | 182,692,364 | 762,464,688 |
| TOTAL LIABILITIES..... | 619,386,949 | 202,454,243 | 821,841,192 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred charge on refunding..... | 175,376 | 279,266 | 454,642 |
| Deferred inflows related to pensions..... | 2,452,125 | 62,875 | 2,515,000 |
| Deferred inflows related to other postemployment benefits..... | 62,988,011 | 1,285,470 | 64,273,481 |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 65,615,512 | 1,627,611 | 67,243,123 |
| NET POSITION | | | |
| Net investment in capital assets..... | 134,457,238 | 67,605,133 | 202,062,371 |
| Restricted for: | | | |
| Debt service..... | 37,075 | - | 37,075 |
| Permanent funds: | | | |
| Expendable..... | 2,679,997 | - | 2,679,997 |
| Nonexpendable..... | 523,190 | - | 523,190 |
| Gifts and grants..... | 7,398,623 | - | 7,398,623 |
| Unrestricted..... | (358,563,115) | 7,476,620 | (351,086,495) |
| TOTAL NET POSITION..... | \$ (213,466,992) | \$ 75,081,753 | \$ (138,385,239) |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|------------------------------------|-----------------------|---------------------------------|---|---|----------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 18,046,210 | \$ 3,784,022 | \$ 1,225,508 | \$ - | \$ (13,036,680) |
| Public safety..... | 50,883,272 | 7,500,316 | 914,584 | - | (42,468,372) |
| Education..... | 238,449,332 | 5,655,602 | 91,329,799 | 1,882,576 | (139,581,355) |
| Public works..... | 25,776,620 | 698,480 | 1,665,448 | 2,261,937 | (21,150,755) |
| Health and human services..... | 3,592,233 | 191,206 | 400,667 | - | (3,000,360) |
| Culture and recreation..... | 11,767,679 | 1,028,960 | 759,537 | - | (9,979,182) |
| Interest..... | 2,291,569 | - | - | - | (2,291,569) |
| Total Governmental Activities..... | <u>350,806,915</u> | <u>18,858,586</u> | <u>96,295,543</u> | <u>4,144,513</u> | (231,508,273) |
| <i>Business-Type Activities:</i> | | | | | |
| Utility..... | 46,646,553 | 47,149,380 | 1,884,201 | - | 2,387,028 |
| Total Primary Government..... | <u>\$ 397,453,468</u> | <u>\$ 66,007,966</u> | <u>\$ 98,179,744</u> | <u>\$ 4,144,513</u> | (229,121,245) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | Primary Government | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... \$ | (231,508,273) | \$ 2,387,028 | \$ (229,121,245) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 193,383,839 | - | 193,383,839 |
| Tax and other liens..... | 1,131,887 | - | 1,131,887 |
| Motor vehicle and other excise taxes..... | 8,904,210 | - | 8,904,210 |
| Hotel/motel tax..... | 1,475,090 | - | 1,475,090 |
| Meals tax..... | 1,527,407 | - | 1,527,407 |
| Penalties and interest on taxes..... | 970,439 | - | 970,439 |
| Payments in lieu of taxes..... | 694,814 | - | 694,814 |
| Grants and contributions not restricted to specific programs..... | 11,551,486 | - | 11,551,486 |
| Unrestricted investment income..... | 2,567,864 | 51,930 | 2,619,794 |
| Miscellaneous..... | 896,297 | - | 896,297 |
| Total general revenues and transfers..... | <u>223,103,333</u> | <u>51,930</u> | <u>223,155,263</u> |
| Change in net position..... | (8,404,940) | 2,438,958 | (5,965,982) |
| <i>Net position:</i> | | | |
| Beginning of year, as restated..... | <u>(205,062,052)</u> | <u>72,642,795</u> | <u>(132,419,257)</u> |
| End of year..... \$ | <u><u>(213,466,992)</u></u> | <u><u>75,081,753</u></u> | <u><u>(138,385,239)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

| | General | School Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 51,748,764 | \$ 1,750,383 | \$ 17,327,981 | \$ 70,827,128 |
| Investments..... | 21,181,572 | - | 2,816,910 | 23,998,482 |
| Receivables, net of uncollectibles: | | | | |
| Real estate and personal property taxes..... | 2,042,117 | - | - | 2,042,117 |
| Tax liens..... | 2,501,246 | - | - | 2,501,246 |
| Motor vehicle and other excise taxes..... | 1,434,997 | - | - | 1,434,997 |
| Departmental and other..... | 23,981 | - | 9,715 | 33,696 |
| Intergovernmental..... | 5,603,757 | 257,185 | 5,722,783 | 11,583,725 |
| Loans..... | - | - | 208,725 | 208,725 |
| Other assets..... | 53,677 | - | 400,076 | 453,753 |
| TOTAL ASSETS..... | \$ 84,590,111 | \$ 2,007,568 | \$ 26,486,190 | \$ 113,083,869 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 4,313,417 | \$ 852,506 | \$ 3,081,925 | \$ 8,247,848 |
| Accrued payroll..... | 11,020,947 | - | 372,827 | 11,393,774 |
| Tax refunds payable..... | 857,311 | - | - | 857,311 |
| Other liabilities..... | 621,504 | - | 40,707 | 662,211 |
| Notes payable..... | - | 1,576 | 1,213,175 | 1,214,751 |
| TOTAL LIABILITIES..... | 16,813,179 | 854,082 | 4,708,634 | 22,375,895 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue..... | 6,859,214 | 257,185 | 1,410,685 | 8,527,084 |
| FUND BALANCES | | | | |
| Nonspendable..... | - | - | 523,190 | 523,190 |
| Restricted..... | 37,075 | 896,301 | 27,396,891 | 28,330,267 |
| Committed..... | 1,920,962 | - | - | 1,920,962 |
| Assigned..... | 5,929,198 | - | - | 5,929,198 |
| Unassigned..... | 53,030,483 | - | (7,553,210) | 45,477,273 |
| TOTAL FUND BALANCES..... | 60,917,718 | 896,301 | 20,366,871 | 82,180,890 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 84,590,111 | \$ 2,007,568 | \$ 26,486,190 | \$ 113,083,869 |

See notes to basic financial statements.

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

JUNE 30, 2019

| | | |
|--|---------------|-------------------------|
| Total governmental fund balances..... | | \$ 82,180,890 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 225,055,892 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 8,527,084 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | 62,532,048 |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | | 5,130,711 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (359,241) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (86,598,057) | |
| Net pension liability..... | (119,808,000) | |
| Net other postemployment benefits liability..... | (379,826,707) | |
| Capital lease obligations..... | (5,946,084) | |
| Compensated absences..... | (4,355,528) | |
| Net effect of reporting long-term liabilities..... | | <u>(596,534,376)</u> |
| Net position of governmental activities..... | | <u>\$ (213,466,992)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | General | School Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 193,151,578 | \$ - | \$ - | \$ 193,151,578 |
| Tax liens..... | 1,157,065 | - | - | 1,157,065 |
| Motor vehicle and other excise taxes..... | 8,796,718 | - | - | 8,796,718 |
| Hotel/motel tax..... | 1,475,090 | - | - | 1,475,090 |
| Meals tax..... | 1,527,407 | - | - | 1,527,407 |
| Penalties and interest on taxes..... | 970,439 | - | - | 970,439 |
| Fees and rentals..... | 2,320,679 | - | 2,815,524 | 5,136,203 |
| Payments in lieu of taxes..... | 694,814 | - | - | 694,814 |
| Licenses and permits..... | 6,921,132 | - | 73,750 | 6,994,882 |
| Fines and forfeitures..... | 357,586 | - | 26,290 | 383,876 |
| Intergovernmental - Teachers Retirement..... | 25,889,314 | - | - | 25,889,314 |
| Intergovernmental - other..... | 64,173,194 | 1,625,391 | 20,874,388 | 86,672,973 |
| Departmental and other..... | 1,019,829 | - | 4,203,977 | 5,223,806 |
| Contributions and donations..... | - | - | 942,101 | 942,101 |
| Investment income..... | 2,056,962 | - | 184,747 | 2,241,709 |
| Miscellaneous..... | 1,007,321 | - | 541,249 | 1,548,570 |
| TOTAL REVENUES..... | 311,519,128 | 1,625,391 | 29,662,026 | 342,806,545 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 10,552,682 | - | 1,816,528 | 12,369,210 |
| Public safety..... | 29,814,956 | - | 1,174,236 | 30,989,192 |
| Education..... | 141,768,183 | 5,520,537 | 18,549,071 | 165,837,791 |
| Public works..... | 12,821,433 | - | 4,926,735 | 17,748,168 |
| Health and human services..... | 2,078,475 | - | 420,612 | 2,499,087 |
| Culture and recreation..... | 6,674,437 | - | 1,852,970 | 8,527,407 |
| Pension benefits..... | 16,450,628 | - | - | 16,450,628 |
| Pension benefits - Teachers Retirement..... | 25,889,314 | - | - | 25,889,314 |
| Employee benefits..... | 33,239,947 | - | - | 33,239,947 |
| State and county charges..... | 7,860,257 | - | - | 7,860,257 |
| Capital outlay..... | - | 337,984 | 10,912,519 | 11,250,503 |
| Debt service: | | | | |
| Principal..... | 11,403,336 | - | - | 11,403,336 |
| Interest..... | 2,848,326 | 7,073 | 58,455 | 2,913,854 |
| TOTAL EXPENDITURES..... | 301,401,974 | 5,865,594 | 39,711,126 | 346,978,694 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 10,117,154 | (4,240,203) | (10,049,100) | (4,172,149) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Issuance of bonds..... | - | 1,669,985 | 10,833,290 | 12,503,275 |
| Premium from issuance of bonds..... | 45,326 | (8,552) | 1,143,206 | 1,179,980 |
| Transfers in..... | 729,686 | 2,885,000 | 2,551,726 | 6,166,412 |
| Transfers out..... | (3,249,932) | - | (2,916,480) | (6,166,412) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (2,474,920) | 4,546,433 | 11,611,742 | 13,683,255 |
| NET CHANGE IN FUND BALANCES..... | 7,642,234 | 306,230 | 1,562,642 | 9,511,106 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 53,275,484 | 590,071 | 18,804,229 | 72,669,784 |
| FUND BALANCES AT END OF YEAR..... | \$ 60,917,718 | \$ 896,301 | \$ 20,366,871 | \$ 82,180,890 |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | | |
|--|---------------------|------------------------------|
| Net change in fund balances - total governmental funds..... | | \$ 9,511,106 |
| <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..... | 34,047,866 | |
| Sale of capital asset..... | (10,765,357) | |
| Depreciation expense..... | <u>(18,407,140)</u> | |
| Net effect of reporting capital assets..... | | 4,875,369 |
| <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> | | |
| | | (986,878) |
| <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 capital leases..... | 535,295 | |
| Issuance of bonds..... | (12,503,275) | |
| Premium from issuance of bonds..... | (1,179,980) | |
| Net amortization of premium from issuance of bonds..... | 509,044 | |
| Net change in deferred charge on refunding..... | 65,689 | |
| Debt service principal payments..... | <u>11,403,336</u> | |
| Net effect of reporting long-term debt..... | | (1,169,891) |
| <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..... | 140,400 | |
| Net change in accrued interest on long-term debt..... | 3,081 | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | 18,893,550 | |
| Net change in net pension liability..... | (23,319,075) | |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.. | (59,666,391) | |
| Net change in net other postemployment benefits liability..... | <u>43,081,518</u> | |
| Net effect of recording long-term liabilities..... | | (20,866,917) |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>232,271</u> |
| Change in net position of governmental activities..... | | \$ <u><u>(8,404,940)</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | |
|---|--|--|
| | Utility Fund | Governmental Activities - Internal Service Fund |
| ASSETS | | |
| CURRENT: | | |
| Cash and cash equivalents..... | \$ 9,373,345 | \$ 280,259 |
| Investments..... | - | 4,848,638 |
| Receivables, net of allowance for uncollectibles: | | |
| User charges..... | 13,401,354 | - |
| Departmental and other..... | - | 119,251 |
| Intergovernmental..... | 76,179 | - |
| Special assessments..... | 3,761 | - |
| Total current assets..... | <u>22,854,639</u> | <u>5,248,148</u> |
| NONCURRENT: | | |
| Receivables, net of allowance for uncollectibles: | | |
| Intergovernmental..... | 758,726 | - |
| Special assessments..... | 303,642 | - |
| Capital assets, non depreciable..... | 9,500,865 | - |
| Capital assets, net of accumulated depreciation..... | <u>242,993,433</u> | <u>-</u> |
| Total noncurrent assets..... | <u>253,556,666</u> | <u>-</u> |
| TOTAL ASSETS..... | <u>276,411,305</u> | <u>5,248,148</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions..... | 671,525 | - |
| Deferred outflows related to other postemployment benefits..... | <u>2,080,777</u> | <u>-</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>2,752,302</u> | <u>-</u> |
| LIABILITIES | | |
| CURRENT: | | |
| Warrants payable..... | 3,282,160 | 74,786 |
| Accrued payroll..... | 135,645 | - |
| Health claims payable..... | - | 42,651 |
| Accrued interest..... | 922,470 | - |
| Other liabilities..... | 18,886 | - |
| Compensated absences..... | 213,878 | - |
| Notes payable..... | 113,206 | - |
| Bonds payable..... | <u>15,075,634</u> | <u>-</u> |
| Total current liabilities..... | <u>19,761,879</u> | <u>117,437</u> |
| NONCURRENT: | | |
| Compensated absences..... | 4,364 | - |
| Net pension liability..... | 3,072,000 | - |
| Net other postemployment benefits liability..... | 7,751,565 | - |
| Bonds payable..... | <u>171,864,435</u> | <u>-</u> |
| Total noncurrent liabilities..... | <u>182,692,364</u> | <u>-</u> |
| TOTAL LIABILITIES..... | <u>202,454,243</u> | <u>117,437</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to refunding..... | 279,266 | - |
| Deferred inflows related to pensions..... | 62,875 | - |
| Deferred inflows related to other postemployment benefits..... | <u>1,285,470</u> | <u>-</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>1,627,611</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets..... | 67,605,133 | - |
| Unrestricted..... | <u>7,476,620</u> | <u>5,130,711</u> |
| TOTAL NET POSITION..... | <u>\$ 75,081,753</u> | <u>\$ 5,130,711</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | | Governmental Activities - Internal Service Fund |
|---|--|----------------------|--|
| | Utility Fund | | |
| OPERATING REVENUES: | | | |
| Employee contributions..... | \$ - | \$ - | 1,310,437 |
| Employer contributions..... | - | - | 1,097,298 |
| Charges for services..... | 47,055,333 | - | - |
| TOTAL OPERATING REVENUES | 47,055,333 | 47,055,333 | 2,407,735 |
| OPERATING EXPENSES: | | | |
| Cost of services and administration..... | 4,044,230 | - | - |
| Salaries and wages..... | 8,956,658 | - | - |
| MWRA assessment..... | 21,647,570 | - | - |
| Depreciation..... | 7,277,277 | - | - |
| Employee benefits..... | - | - | 2,757,772 |
| TOTAL OPERATING EXPENSES..... | 41,925,735 | 41,925,735 | 2,757,772 |
| OPERATING INCOME (LOSS)..... | 5,129,598 | 5,129,598 | (350,037) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income..... | 51,930 | - | 582,308 |
| Interest expense..... | (4,720,818) | - | - |
| Intergovernmental - other..... | 1,884,201 | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | (2,784,687) | (2,784,687) | 582,308 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS..... | 2,344,911 | 2,344,911 | 232,271 |
| CAPITAL CONTRIBUTIONS..... | 94,047 | 94,047 | - |
| CHANGE IN NET POSITION..... | 2,438,958 | 2,438,958 | 232,271 |
| NET POSITION AT BEGINNING OF YEAR..... | 72,642,795 | 72,642,795 | 4,898,440 |
| NET POSITION AT END OF YEAR..... | \$ 75,081,753 | \$ 75,081,753 | \$ 5,130,711 |

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

| | Business-type Activities - | |
|--|----------------------------|--|
| | Utility Fund | Governmental Activities - Internal Service Fund |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Receipts from customers and users..... | \$ 48,145,309 | \$ - |
| Receipts from interfund services provided..... | - | 2,430,705 |
| Payments to vendors..... | (25,949,709) | - |
| Payments to employees..... | (8,939,393) | - |
| Payments for interfund services used..... | - | (3,241,283) |
| NET CASH FROM OPERATING ACTIVITIES..... | 13,256,207 | (810,578) |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Proceeds from the issuance of bonds and notes..... | 21,864,486 | - |
| Premium from the issuance of bonds..... | 1,624,707 | - |
| Capital contributions..... | 165,223 | - |
| Acquisition and construction of capital assets..... | (22,607,547) | - |
| Principal payments on bonds and notes..... | (16,637,588) | - |
| Interest expense..... | (5,497,928) | - |
| Intergovernmental..... | 1,884,201 | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (19,204,446) | - |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Purchase of investments..... | - | 27,711 |
| Investment income..... | 51,930 | 582,308 |
| NET CASH FROM INVESTING ACTIVITIES..... | 51,930 | 610,019 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (5,896,309) | (200,559) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 15,269,654 | 480,818 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 9,373,345 | \$ 280,259 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u> | | |
| Operating income (loss)..... | \$ 5,129,598 | \$ (350,037) |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation..... | 7,277,277 | - |
| Deferred (outflows)/inflows related to pensions..... | (484,450) | - |
| Deferred (outflows)/inflows related to other postemployment benefits..... | 1,217,683 | - |
| Changes in assets and liabilities: | | |
| User charges..... | 1,015,306 | - |
| Departmental and other..... | - | 22,970 |
| Intergovernmental..... | 74,670 | - |
| Warrants payable..... | (713,489) | 27,293 |
| Accrued payroll..... | 8,962 | - |
| Health claims payable..... | - | (510,804) |
| Other liabilities..... | 3,637 | - |
| Compensated absences..... | 8,303 | - |
| Net pension liability..... | 597,925 | - |
| Other postemployment benefits..... | (879,215) | - |
| Total adjustments..... | 8,126,609 | (460,541) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 13,256,207 | \$ (810,578) |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

| | Pension and Other Postemployment Benefit Trust Funds | Agency Funds |
|--|---|------------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 4,688,705 | \$ 4,875,427 |
| Investments: | | |
| Investments in Pension Reserve Investment Trust..... | 303,429,190 | - |
| Mutual funds..... | 6,676,544 | 188,643 |
| Receivables, net of allowance for uncollectibles: | | |
| Departmental and other..... | - | 520,936 |
| Intergovernmental..... | 42,062 | - |
| Other assets..... | 54,550 | - |
| TOTAL ASSETS..... | 314,891,051 | 5,585,006 |
| LIABILITIES | | |
| Warrants payable..... | 24,865 | 426,834 |
| Accrued payroll..... | - | 100,456 |
| Liabilities due depositors..... | - | 675,455 |
| Other liabilities..... | - | 4,382,261 |
| TOTAL LIABILITIES..... | 24,865 | 5,585,006 |
| NET POSITION | | |
| Restricted for pensions..... | 308,072,346 | - |
| Restricted for other postemployment benefits..... | 6,793,840 | - |
| TOTAL NET POSITION..... | \$ 314,866,186 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

| | Pension and Other Postemployment Benefit Trust Funds |
|---|---|
| <u>ADDITIONS:</u> | |
| Contributions: | |
| Employer contributions..... | \$ 16,669,890 |
| Employer contributions for other postemployment benefit payments... | 13,276,318 |
| Member contributions..... | 6,940,124 |
| Transfers from other systems..... | 536,130 |
| 3(8)c contributions from other systems..... | 978,939 |
| Member makeup payments and redeposits..... | 54,227 |
| Intergovernmental..... | <u>169,881</u> |
| Total contributions..... | <u>38,625,509</u> |
| Net investment income: | |
| Investment income..... | (5,020,536) |
| Less: investment expense..... | <u>(1,656,376)</u> |
| Net investment income (loss)..... | <u>(6,676,912)</u> |
| TOTAL ADDITIONS..... | <u>31,948,597</u> |
| <u>DEDUCTIONS:</u> | |
| Administration..... | 381,845 |
| Transfers to other systems..... | 1,012,215 |
| 3(8)c transfer to other systems..... | 1,152,546 |
| Retirement benefits and refunds..... | 25,345,128 |
| Other postemployment benefit payments..... | <u>13,276,318</u> |
| TOTAL DEDUCTIONS..... | <u>41,168,052</u> |
| NET INCREASE (DECREASE) IN NET POSITION..... | (9,219,455) |
| NET POSITION AT BEGINNING OF YEAR..... | <u>324,085,641</u> |
| NET POSITION AT END OF YEAR..... | \$ <u><u>314,866,186</u></u> |

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Framingham, 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 accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council. For financial reporting purposes, the City has included all funds, organizations, 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. As required by GAAP, these basic financial statements present the City (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

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 the relationship between the City and the component unit.

The Framingham Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the Framingham Housing Authority employees, the Metro-West Regional Transit Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Accountant (ex-officio), two members elected by the System's participants, one member appointed by the City Council and one member appointed by the Retirement Board's 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.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 150 Concord Street, Framingham, MA 01702.

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, liabilities, 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.

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. Exceptions are charges between the general fund and the water and sewer enterprise funds. 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 susceptible to 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, except those that are required to be accounted for in another fund.

The *School Capital Projects Fund* is used to account for and report financial resources that are restricted, to expenditures for school capital outlays, including the acquisition or construction of major capital facilities and other capital assets of the governmental funds

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 expenditures 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 expenditures for capital outlays, including the acquisition or construction of major 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 *utility fund* is used to account for the water and sewer utility activities.

The *internal service fund* is reported as a proprietary fund type, which is designed to account for the financing of services provided by one department to other departments or governmental units. The internal service fund is used to account for risk financing activities related to employees' dental insurance and life insurance. Additionally, the fund is used to account for unanticipated run-off claims from when the City converted from a self-insured employee health program to the GIC insurance plan in fiscal year 2015.

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 trust fund* is used to account for the activities of the Framingham Contributory Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *agency fund* is used to account for police and fire details, planning board and other surety bonds, and other assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities in the over-the-counter market.

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 for further information.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due 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. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered 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 uncollectible accounts is estimated based on historical trends and specific account analysis.

Utility Fees and Liens

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Utility liens are processed on delinquent accounts and included as a lien on the property owner's tax bill. Utility 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 uncollectible accounts.

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 uncollectible accounts.

Real Estate Tax Deferrals

Real estate tax deferrals are receivables from owners of real property that have entered into a tax deferral and recovery agreement with the Board of Assessors (M.G.L. Ch 59, §5).

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

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 and building improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than two year.

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..... | 7 - 40 |
| Vehicles, machinery and equipment..... | 5 - 10 |
| Infrastructure..... | 50 - 100 |

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has reported deferred inflows of resources related to pensions and other postemployment 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 recorded 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

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 that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Debt service" represents amounts that have been restricted to offset future debt service costs.

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority that can commit funds for a specific purpose by way of approval of a City Council Order. 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. Massachusetts General Law authorizes the Chief Financial Officer, at his or her discretion, to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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 City will, from time to time, 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. 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 Framingham Contributory Retirement System (FCRS) and the Massachusetts Teachers Retirement System (MTRS) 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.

O. Capital Lease Obligations

The City leases various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net position. No capital leases exist at year end.

P. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities 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.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. 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.

Q. Investment Income

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

Proprietary funds retain their investment income.

R. 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.

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 (the 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.

The City Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2019, \$6,793,840 from the OPEB Trust Fund is included within the City's cash and investments balances in the following disclosures.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$72,168,790 and the bank balance totaled \$75,678,129. Of the bank balance, \$8,176,779 was covered by Federal Depository Insurance, \$4,339,099 was covered by the Share Insurance Fund, \$44,241,880 was collateralized and \$18,920,371 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2018, carrying amount of deposits for the Retirement System's deposits totaled \$4,571,410 and the bank balance totaled \$5,025,328 and was fully covered by Federal Depository Insurance.

Investments

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

| <u>Investment Type</u> | <u>Fair value</u> | <u>Maturities</u> | | |
|---------------------------------------|-------------------|---------------------|------------------|-------------------|
| | | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 9,485,431 | \$ 8,560,791 | \$ 924,640 | \$ - |
| Government sponsored enterprises..... | 6,571,117 | - | 6,571,117 | - |
| Corporate bonds..... | 3,204,939 | 1,953,883 | 1,172,375 | 78,681 |
| Total debt securities..... | 19,261,487 | \$ 10,514,674 | \$ 8,668,132 | \$ 78,681 |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 12,285,058 | | | |
| Equity mutual funds..... | 2,095,717 | | | |
| Bond mutual funds..... | 2,070,045 | | | |
| Money market mutual funds..... | 123,988 | | | |
| MMDT - Cash portfolio..... | 13,180,677 | | | |
| Total investments..... | \$ 49,016,972 | | | |

The City participates in MMDT which is unrated. MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. The System participates in PRIT which is unrated. The effective weighted duration rate for PRIT investments ranged from 0.18 to 15.31 years.

As of December 31, 2018, the System had \$303,429,190 of investment in PRIT.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the total investments the City has custodial credit risk exposure equal to its investments of \$9,485,431 in U.S. treasury bonds, \$6,571,117 in government sponsored enterprises, \$3,204,939 in corporate bonds, \$12,285,058 in equity securities, \$2,095,717 in equity mutual funds and \$2,070,045 in bond mutual funds because the related securities are uninsured, unregistered and held by the counterparty.

The System's investments are not subject to custodial credit risk as all the securities are insured or registered and held by its agents in the name of the System.

Interest Rate Risk

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The City has not adopted a formal policy related to credit risk. At June 30, 2019 the City’s investments were rated as follows:

| <u>Quality Rating</u> | <u>U.S. Treasury Bonds</u> | <u>Government Sponsored Enterprises</u> | <u>Corporate Bonds</u> |
|-----------------------|--------------------------------|---|----------------------------|
| AA+..... | \$ 9,485,431 | \$ 6,571,117 | \$ 154,693 |
| A+..... | - | - | 154,713 |
| A..... | - | - | 514,114 |
| A-..... | - | - | 448,677 |
| BBB+..... | - | - | 1,149,431 |
| BBB..... | - | - | 783,311 |
| Total..... | <u>\$ 9,485,431</u> | <u>\$ 6,571,117</u> | <u>\$ 3,204,939</u> |

The System has not adopted a formal policy related to credit risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Of the total investment balance, the City did not maintain any investments that were more than 5% in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. The System does not currently have any investments that are subject to concentration of credit risk.

Fair Value Measurement

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 table on the following page presents financial assets at June 30, 2019, that the City measures fair value on a recurring basis, by level, within the fair value hierarchy:

| Investment Type | June 30, 2019 | Fair Value Measurements Using | | |
|--|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 9,485,431 | \$ 9,485,431 | \$ - | \$ - |
| Government sponsored enterprises..... | 6,571,117 | 6,571,117 | - | - |
| Corporate bonds..... | 3,204,939 | - | 3,204,939 | - |
| Total debt securities..... | 19,261,487 | 16,056,548 | 3,204,939 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 12,285,058 | 12,285,058 | - | - |
| Equity mutual funds..... | 2,095,717 | 2,095,717 | - | - |
| Bond mutual funds..... | 2,070,045 | 2,070,045 | - | - |
| Money market mutual funds..... | 123,988 | 123,988 | - | - |
| Total other investments..... | 16,574,808 | 16,574,808 | - | - |
| Total investments measured at fair value..... | 35,836,295 | \$ 32,631,356 | \$ 3,204,939 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT - Cash portfolio..... | 13,180,677 | | | |
| Total investments..... | \$ 49,016,972 | | | |

U.S. treasury bonds, government sponsored enterprises, equity securities, equity mutual funds, fixed income, 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 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 plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

At December 31, 2018, the System's recurring fair value measurements for its investment in PRIT was \$303,429,190.

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

NOTE 3 – RECEIVABLES

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|----------------------|------------------------------------|----------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 2,941,296 | \$ (899,179) | \$ 2,042,117 |
| Tax liens..... | 2,501,246 | - | 2,501,246 |
| Motor vehicle and other excise taxes..... | 3,397,345 | (1,962,348) | 1,434,997 |
| Departmental and other..... | 152,947 | - | 152,947 |
| Intergovernmental..... | 11,583,725 | - | 11,583,725 |
| Loans..... | 208,725 | - | 208,725 |
| Total..... | <u>\$ 20,785,284</u> | <u>\$ (2,861,527)</u> | <u>\$ 17,923,757</u> |

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|----------------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Utility user charges..... | \$ 834,905 | \$ - | \$ 834,905 |
| Utility special assessments..... | 307,403 | - | 307,403 |
| Total..... | <u>\$ 1,142,308</u> | <u>\$ -</u> | <u>\$ 1,142,308</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>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 1,595,641 | \$ - | \$ 1,595,641 |
| Tax liens..... | 2,501,246 | - | 2,501,246 |
| Motor vehicle and other excise taxes..... | 1,434,997 | - | 1,434,997 |
| Departmental and other..... | 20,359 | 9,715 | 30,074 |
| Intergovernmental..... | 1,306,971 | 1,449,430 | 2,756,401 |
| Loans..... | - | 208,725 | 208,725 |
| Total..... | <u>\$ 6,859,214</u> | <u>\$ 1,667,870</u> | <u>\$ 8,527,084</u> |

NOTE 4 – CAPITAL ASSETS

Governmental and Business-Type capital asset activity for the year ended June 30, 2019, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|----------------------|------------------------|-----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 20,553,095 | \$ 8,345 | \$ - | \$ 20,561,440 |
| Construction in progress..... | 10,481,964 | 3,567,303 | (9,565,956) | 4,483,311 |
| Total capital assets not being depreciated.... | <u>31,035,059</u> | <u>3,575,648</u> | <u>(9,565,956)</u> | <u>25,044,751</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 216,531,827 | 20,823,263 | (4,445,279) | 232,909,811 |
| Vehicles, machinery and equipment..... | 69,455,074 | 3,725,342 | (2,875,072) | 70,305,344 |
| Infrastructure..... | 94,391,228 | 5,923,613 | (1,994,070) | 98,320,771 |
| Total capital assets being depreciated..... | <u>380,378,129</u> | <u>30,472,218</u> | <u>(9,314,421)</u> | <u>401,535,926</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (103,970,070) | (7,061,010) | 4,355,067 | (106,676,013) |
| Vehicles, machinery and equipment..... | (47,536,967) | (5,565,383) | 2,123,520 | (50,978,830) |
| Infrastructure..... | (39,725,628) | (5,780,747) | 1,636,433 | (43,869,942) |
| Total accumulated depreciation..... | <u>(191,232,665)</u> | <u>(18,407,140)</u> | <u>8,115,020</u> | <u>(201,524,785)</u> |
| Total capital assets being depreciated, net..... | <u>189,145,464</u> | <u>12,065,078</u> | <u>(1,199,401)</u> | <u>200,011,141</u> |
| Total governmental activities capital assets, net.... | <u>\$ 220,180,523</u> | <u>\$ 15,640,726</u> | <u>\$ (10,765,357)</u> | <u>\$ 225,055,892</u> |
| Business-Type Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 1,155,573 | \$ 233,500 | \$ - | \$ 1,389,073 |
| Construction in progress..... | 12,413,304 | 697,301 | (4,998,813) | 8,111,792 |
| Total capital assets not being depreciated.... | <u>13,568,877</u> | <u>930,801</u> | <u>(4,998,813)</u> | <u>9,500,865</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 56,094,897 | 7,013,916 | (66,766) | 63,042,047 |
| Vehicles, machinery and equipment..... | 12,804,455 | 1,432,740 | (307,361) | 13,929,834 |
| Infrastructure..... | 256,388,792 | 18,228,903 | (170,186) | 274,447,509 |
| Total capital assets being depreciated..... | <u>325,288,144</u> | <u>26,675,559</u> | <u>(544,313)</u> | <u>351,419,390</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (11,881,110) | (1,646,312) | 66,766 | (13,460,656) |
| Vehicles, machinery and equipment..... | (8,389,640) | (803,115) | 307,361 | (8,885,394) |
| Infrastructure..... | (81,422,243) | (4,827,850) | 170,186 | (86,079,907) |
| Total accumulated depreciation..... | <u>(101,692,993)</u> | <u>(7,277,277)</u> | <u>544,313</u> | <u>(108,425,957)</u> |
| Total capital assets being depreciated, net..... | <u>223,595,151</u> | <u>19,398,282</u> | <u>-</u> | <u>242,993,433</u> |
| Total business-type activities capital assets, net.... | <u>\$ 237,164,028</u> | <u>\$ 20,329,083</u> | <u>\$ (4,998,813)</u> | <u>\$ 252,494,298</u> |

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

Governmental Activities:

| | | |
|--------------------------------|----|-----------|
| General government..... | \$ | 1,310,496 |
| Public safety..... | | 2,108,714 |
| Education..... | | 6,227,155 |
| Public works..... | | 7,161,831 |
| Health and human services..... | | 149,573 |
| Culture and recreation..... | | 1,449,371 |

Total depreciation expense - governmental activities..... \$ 18,407,140

Business-Type Activities:

| | | |
|--------------|----|------------------|
| Utility..... | \$ | <u>7,277,277</u> |
|--------------|----|------------------|

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

| Transfers Out: | Transfers In: | | | |
|----------------------------------|-------------------|-------------------------|-----------------------------|----------------------|
| | General fund | School Capital Projects | Nonmajor governmental funds | Total |
| General fund..... | \$ - | \$ 2,885,000 | \$ 364,932 | \$ 3,249,932 (1) |
| Nonmajor governmental funds..... | <u>729,686</u> | <u>-</u> | <u>2,186,794</u> | <u>2,916,480 (2)</u> |
| Total..... | \$ <u>729,686</u> | \$ <u>2,885,000</u> | \$ <u>2,551,726</u> | \$ <u>6,166,412</u> |

- 1) Represents budgeted transfers from the general fund to the capital project funds to fund a portion of the capital budget.
- 2) Represents budgeted transfers from the special revenue funds to offset general fund expenditures.

NOTE 6 – CAPITAL LEASES

The City has entered into lease agreements as lessee for technology upgrades and improvements, as well as energy conservation and energy related improvements for governmental activities. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| <u>Asset:</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| Vehicles, machinery and equipment..... \$ | 1,252,753 |
| Infrastructure..... | 5,965,757 |
| Less: accumulated depreciation..... | <u>(1,670,385)</u> |
| Total..... \$ | <u><u>5,548,125</u></u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

| <u>Years ending June 30:</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2020..... \$ | 682,178 |
| 2021..... | 695,985 |
| 2022..... | 489,869 |
| 2023..... | 489,869 |
| 2024..... | 489,869 |
| 2025..... | 489,869 |
| 2026..... | 489,869 |
| 2027..... | 572,482 |
| 2028..... | 572,482 |
| 2029..... | 572,482 |
| 2030..... | 572,482 |
| 2031..... | 572,482 |
| 2032..... | <u>153,305</u> |
| Total minimum lease payments..... | 6,843,223 |
| Less: amounts representing interest..... | <u>(897,139)</u> |
| Present value of minimum lease payments... \$ | <u><u>5,946,084</u></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).

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 and enterprise funds, respectively.

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

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2018 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2019 |
|---|------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| Governmental Funds: | | | | | | | |
| BAN | Bond Anticipation..... | 1.55% | 12/07/18 | \$ 40,698 | \$ - | \$ (40,698) | \$ - |
| BAN | Bond Anticipation..... | 2.50% | 12/07/18 | 7,918,727 | - | (7,918,727) | - |
| BAN | Bond Anticipation..... | 3.00% | 12/06/19 | - | 33,668 | - | 33,668 |
| BAN | Bond Anticipation..... | 2.50% | 12/06/19 | - | 8,496,295 | - | 8,496,295 |
| Subtotal..... | | | | \$ 7,959,425 | \$ 8,529,963 | \$ (7,959,425) | \$ 8,529,963 |
| Bond anticipation notes permanently financed 12/6/19..... | | | | | | | (7,315,212) |
| Total Governmental Funds..... | | | | | | | \$ 1,214,751 |
| Enterprise Fund: | | | | | | | |
| BAN | Bond Anticipation..... | 1.55% | 12/07/18 | \$ 2,509,203 | \$ - | \$ (2,509,203) | \$ - |
| BAN | Bond Anticipation..... | 2.50% | 12/07/18 | 10,780,934 | - | (10,780,934) | - |
| BAN | Bond Anticipation..... | 3.00% | 12/06/19 | - | 823,154 | - | 823,154 |
| BAN | Bond Anticipation..... | 2.50% | 12/06/19 | - | 8,897,441 | - | 8,897,441 |
| Subtotal..... | | | | \$ 13,290,137 | \$ 9,720,595 | \$ (13,290,137) | \$ 9,720,595 |
| Bond anticipation notes permanently financed 12/6/19..... | | | | | | | (9,607,389) |
| Total Enterprise Funds..... | | | | | | | \$ 113,206 |

On the scheduled maturity date of December 6, 2019, \$16.9 million of bond anticipation notes were permanently financed through the issuance of long-term debt and have been presented accordingly as long-term debt in the financial statements. Of the remaining portion outstanding, \$1.3 million was paid down using bond premiums.

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".

Bonds Payable Schedule – Governmental Funds

Details related to the outstanding indebtedness at June 30, 2019, and the debt service requirements are as listed below.

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2019 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| MCWT Bonds of 2005..... | 2023 | \$ 477,029 | 3.00 - 5.00 | \$ 120,000 |
| General Obligation Refunding Bonds of 2009... | 2020 | 19,577,000 | 3.00 | 810,000 |
| General Obligation Bonds of 2009..... | 2028 | 7,591,420 | 2.00 - 5.00 | 1,675,000 |
| MCWT Bonds of 2010..... | 2028 | 307,600 | 2.00 | 148,999 |
| General Obligation Bonds of 2010..... | 2030 | 4,976,272 | 2.00 - 5.00 | 1,766,000 |
| General Obligation Bonds of 2011..... | 2031 | 17,440,000 | 2.00 - 5.00 | 5,965,000 |
| MCWT Bonds of 2012..... | 2031 | 325,000 | 2.00 | 199,440 |
| General Obligation Bonds of 2013..... | 2033 | 8,333,940 | 2.00 - 5.00 | 3,065,000 |
| General Obligation Refunding Bonds of 2013... | 2025 | 12,179,750 | 2.00 - 5.00 | 1,774,600 |
| General Obligation Bonds of 2014..... | 2034 | 12,380,745 | 2.00 - 5.00 | 4,910,000 |
| General Obligation Bonds of 2015..... | 2035 | 7,270,120 | 2.50 - 5.00 | 4,410,000 |
| General Obligation Bonds of 2016..... | 2041 | 19,734,325 | 3.00 - 5.00 | 11,870,000 |
| General Obligation Bonds of 2017..... | 2037 | 10,728,765 | 2.00 - 4.00 | 7,603,260 |
| General Obligation Bonds of 2018..... | 2038 | 16,968,474 | 2.50 - 4.00 | 14,880,000 |
| General Obligation Bonds of 2019..... | 2039 | 13,071,921 | 4.00 - 5.00 | 13,071,921 |
| Subtotal Bonds Payable..... | | \$ 151,362,361 | | 72,269,220 |
| Add: Bond anticipation notes permanently financed 12/7/18..... | | | | 7,315,212 |
| Add: Unamortized premium on bonds..... | | | | 7,013,625 |
| Total Bonds Payable, net..... | | | | \$ 86,598,057 |

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

| Year | Principal | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 2020..... | \$ 11,176,713 | \$ 3,197,487 | \$ 14,374,200 |
| 2021..... | 8,579,229 | 2,445,933 | 11,025,162 |
| 2022..... | 7,529,510 | 2,063,880 | 9,593,390 |
| 2023..... | 6,641,101 | 1,735,221 | 8,376,322 |
| 2024..... | 6,015,886 | 1,446,053 | 7,461,939 |
| 2025..... | 5,146,654 | 1,189,520 | 6,336,174 |
| 2026..... | 4,593,555 | 970,103 | 5,563,658 |
| 2027..... | 4,174,059 | 788,741 | 4,962,800 |
| 2028..... | 3,636,099 | 633,636 | 4,269,735 |
| 2029..... | 3,074,778 | 495,156 | 3,569,934 |
| 2030..... | 2,708,136 | 377,518 | 3,085,654 |
| 2031..... | 2,278,500 | 279,625 | 2,558,125 |
| 2032..... | 1,870,000 | 204,009 | 2,074,009 |
| 2033..... | 1,415,000 | 147,062 | 1,562,062 |
| 2034..... | 920,000 | 106,069 | 1,026,069 |
| 2035..... | 725,000 | 77,256 | 802,256 |
| 2036..... | 680,000 | 52,847 | 732,847 |
| 2037..... | 465,000 | 32,450 | 497,450 |
| 2038..... | 380,000 | 17,075 | 397,075 |
| 2039..... | 240,000 | 5,444 | 245,444 |
| 2040..... | 10,000 | 506 | 10,506 |
| 2041..... | 10,000 | 169 | 10,169 |
| Total..... | \$ <u>72,269,220</u> | \$ <u>16,265,760</u> | \$ <u>88,534,980</u> |

Bonds Payable Schedule – Utility Enterprise Fund

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

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2019 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| MCWT Bonds of 2007..... | 2024 | \$ 327,600 | 0.00 | \$ 95,248 |
| MCWT Bonds of 2009..... | 2029 | 2,621,991 | 2.00 | 1,176,402 |
| General Obligation Bonds of 2009..... | 2025 | 232,580 | 2.00 - 5.00 | 30,000 |
| MCWT Bonds of 2010..... | 2028 | 9,463,107 | 2.00 | 4,587,932 |
| General Obligation Bonds of 2010..... | 2030 | 8,064,728 | 2.00 - 5.00 | 3,259,000 |
| MCWT Bonds of 2010..... | 2031 | 8,451,817 | 2.00 | 5,470,113 |
| MCWT Bonds of 2011..... | 2029 | 402,608 | 2.00 | 241,399 |
| General Obligation Bonds of 2011..... | 2031 | 16,862,000 | 2.00 - 5.00 | 7,945,000 |
| MCWT Bonds of 2012..... | 2031 | 11,679,809 | 2.00 | 5,916,894 |
| MCWT Bonds of 2012..... | 2033 | 24,179,228 | 2.00 | 17,690,303 |
| MWRA Bonds of 2013..... | 2023 | 5,704,440 | 0.00 | 2,281,776 |
| General Obligation Bonds of 2013..... | 2033 | 21,424,060 | 2.00 - 5.00 | 14,675,000 |
| General Obligation Refunding Bonds of 2013... | 2025 | 4,666,250 | 2.00 - 5.00 | 1,405,400 |
| MCWT Bonds of 2013..... | 2031 | 1,549,284 | 2.00 | 1,097,867 |
| General Obligation Bonds of 2014..... | 2039 | 10,973,255 | 2.00 - 5.00 | 8,200,000 |
| MCWT Bonds of 2014..... | 2033 | 392,248 | 2.00 | 243,468 |
| General Obligation Bonds of 2015..... | 2040 | 13,703,880 | 2.50 - 5.00 | 11,075,000 |
| MCWT Bonds of 2015..... | 2035 | 5,922,871 | 2.00 | 5,017,332 |
| MWRA Bonds of 2015..... | 2025 | 1,950,807 | 0.00 | 978,721 |
| General Obligation Bonds of 2016..... | 2041 | 23,933,675 | 3.00 - 5.00 | 19,770,000 |
| MCWT Bonds of 2016..... | 2036 | 2,198,777 | 2.00 | 1,920,577 |
| MWRA Bonds of 2017..... | 2027 | 2,231,093 | 0.00 | 1,632,936 |
| General Obligation Bonds of 2017..... | 2037 | 17,976,235 | 2.00 - 4.00 | 14,096,740 |
| General Obligation Bonds of 2018..... | 2038 | 19,217,526 | 2.50 - 5.00 | 17,125,000 |
| General Obligation Bonds of 2019..... | 2039 | 16,808,079 | 4.00 - 5.00 | 16,808,079 |
| MWRA Bonds of 2019..... | 2029 | <u>4,943,200</u> | 0.00 | <u>4,943,201</u> |
| Subtotal Bonds Payable..... | | \$ <u>235,881,148</u> | | 167,683,388 |
| Add: Bond anticipation notes permanently financed 12/6/19..... | | | | 9,607,389 |
| Add: Unamortized premium on bonds..... | | | | <u>9,649,292</u> |
| Total Bonds Payable, net..... | | | | \$ <u>186,940,069</u> |

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

| Year | Principal | Interest | Total |
|------------|-----------------------|----------------------|-----------------------|
| 2020..... | \$ 14,174,736 | \$ 5,590,350 | \$ 19,765,086 |
| 2021..... | 13,619,827 | 4,747,235 | 18,367,062 |
| 2022..... | 13,099,368 | 4,290,765 | 17,390,133 |
| 2023..... | 12,057,011 | 3,873,969 | 15,930,980 |
| 2024..... | 11,254,345 | 3,485,086 | 14,739,431 |
| 2025..... | 10,889,962 | 3,108,349 | 13,998,311 |
| 2026..... | 10,536,343 | 2,760,546 | 13,296,889 |
| 2027..... | 10,322,738 | 2,448,062 | 12,770,800 |
| 2028..... | 10,046,969 | 2,149,938 | 12,196,907 |
| 2029..... | 9,288,613 | 1,860,177 | 11,148,790 |
| 2030..... | 8,673,828 | 1,578,830 | 10,252,658 |
| 2031..... | 8,399,194 | 1,308,612 | 9,707,806 |
| 2032..... | 6,587,881 | 1,069,575 | 7,657,456 |
| 2033..... | 6,604,130 | 871,615 | 7,475,745 |
| 2034..... | 4,077,134 | 704,885 | 4,782,019 |
| 2035..... | 4,022,611 | 570,551 | 4,593,162 |
| 2036..... | 3,558,698 | 437,115 | 3,995,813 |
| 2037..... | 3,345,000 | 315,206 | 3,660,206 |
| 2038..... | 2,930,000 | 203,031 | 3,133,031 |
| 2039..... | 2,275,000 | 108,425 | 2,383,425 |
| 2040..... | 1,190,000 | 45,107 | 1,235,107 |
| 2041..... | 730,000 | 12,234 | 742,234 |
| Total..... | \$ <u>167,683,388</u> | \$ <u>41,539,663</u> | \$ <u>209,223,051</u> |

The Commonwealth of Massachusetts has approved school construction assistance to the City. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA) provides resources for future debt service of general obligation school bonds outstanding. During 2019, \$2.1 million of such assistance was received and \$1.3 million will be received in future years. Accordingly, a \$1.3 million intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statement.

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

| Purpose | Amount |
|--|-----------------------|
| Concord Street Water Design..... | \$ 3,939,957 |
| Birch Road Well React..... | 38,184,317 |
| Warren Road & Prindville Water Main..... | 2,989,476 |
| Worcester Road Pump Station Elimination Project Construction.... | 15,220,000 |
| Baiting Brook Sewer Improvements..... | 5,466,797 |
| Union Ave Water Mains..... | 5,208,932 |
| Evergreen Street Water Design..... | 2,277,247 |
| Railway Sewer Alignment..... | 9,340,579 |
| Speen Street Area Design..... | 1,410,000 |
| Indian Water Tank..... | 1,024,198 |
| Intersection Edgell/Water/Edmands..... | 2,746,724 |
| Interchange 12 Sewer Improvements..... | 2,234,000 |
| Eastleigh/Little Farms/Shawmut Pump Station..... | 2,530,406 |
| Worcester Road Improvements..... | 7,910,019 |
| Various Pump Stations..... | 1,403,671 |
| Fire Station #2..... | 1,055,350 |
| Roadway Improvements..... | 1,708,144 |
| Various Water and Sewer Improvements..... | 4,843,792 |
| Fuller Middle School..... | 50,822,946 |
| Engine 2 Truck Replace and Maintenance..... | 2,003,419 |
| Main Library Roof and Floor..... | 1,041,970 |
| Road Improvements..... | 3,000,000 |
| HVAC High School Improvements..... | 1,178,277 |
| Street Study and Design..... | 6,758,697 |
| Bridge Design and Construction..... | 1,710,000 |
| Public Safety Replacement..... | 4,200,000 |
| Various Other Projects..... | 21,409,328 |
| Total..... | \$ 201,618,246 |

Changes in Long-term Liabilities

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

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|---|-------------------|------------------------|--------------------------|-----------------|-----------------|----------------|---------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 78,484,493 | \$ 12,503,275 | \$ (11,403,336) | \$ - | \$ - | \$ 79,584,432 | \$ 11,176,713 |
| Add: Unamortized premium on bonds..... | 6,342,689 | 1,224,451 | (553,515) | - | - | 7,013,625 | 761,209 |
| Total bonds payable..... | 84,827,182 | 13,727,726 | (11,956,851) | - | - | 86,598,057 | 11,937,922 |
| Capital lease obligations..... | 6,481,379 | - | - | - | (535,295) | 5,946,084 | 555,712 |
| Compensated absences..... | 4,495,928 | - | - | 4,265,609 | (4,406,009) | 4,355,528 | 4,268,418 |
| Net pension liability..... | 96,488,925 | - | - | 14,528,109 | 8,790,966 | 119,808,000 | - |
| Net OPEB liability..... | 422,908,225 | - | - | (29,825,726) | (13,255,792) | 379,826,707 | - |
| Total governmental activity long-term liabilities..... | \$ 615,201,639 | \$ 13,727,726 | \$ (11,956,851) | \$ (11,032,008) | \$ (9,406,130) | \$ 596,534,376 | \$ 16,762,052 |
| Business-Type Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 170,493,658 | \$ 19,751,959 | \$ (12,954,840) | \$ - | \$ - | \$ 177,290,777 | \$ 14,174,736 |
| Add: Unamortized premium on bonds..... | 8,709,869 | 1,624,707 | (685,284) | - | - | 9,649,292 | 900,898 |
| Total bonds payable..... | 179,203,527 | 21,376,666 | (13,640,124) | - | - | 186,940,069 | 15,075,634 |
| Compensated absences..... | 209,939 | - | - | 214,043 | (205,740) | 218,242 | 213,878 |
| Net pension liability..... | 2,474,075 | - | - | 962,525 | (364,600) | 3,072,000 | - |
| Net OPEB liability..... | 8,630,780 | - | - | (608,689) | (270,526) | 7,751,565 | - |
| Total business-type activity long-term liabilities..... | \$ 190,518,321 | \$ 21,376,666 | \$ (13,640,124) | \$ 567,879 | \$ (840,866) | \$ 197,981,876 | \$ 15,289,512 |

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The City presents its governmental fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for 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.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, 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 government from its highest level of decision making authority. The highest level of decision making authority is the City Council.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the City are dependent upon authorization and approval of the City Council. The actual use of the funds is contingent upon City Council approval. Additions to the fund can only be made upon City Council approval. In accordance with Massachusetts General Law, the City has a general stabilization fund, a capital stabilization fund, a special education reserve stabilization fund, and an open space stabilization fund.

At year end, the balance of the general stabilization fund is \$16,410,132; the balance of the capital stabilization fund is \$8,600,658; the balance of the special education reserve stabilization fund is \$1,074,499; and the balance of the open space stabilization fund is \$150,113. These stabilization funds are reported as unassigned fund balance within the general fund.

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

| | General | School Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ 523,190 | \$ 523,190 |
| Restricted for: | | | | |
| Debt service..... | 37,075 | - | - | 37,075 |
| School capital projects..... | - | 896,301 | - | 896,301 |
| Highway improvement fund..... | - | - | 6,262 | 6,262 |
| School federal grants..... | - | - | 55,655 | 55,655 |
| City Federal grants..... | - | - | 2,125,573 | 2,125,573 |
| City State grants..... | - | - | 1,117,973 | 1,117,973 |
| School state grants..... | - | - | 3,586,745 | 3,586,745 |
| Other special revenue..... | - | - | 5,295,532 | 5,295,532 |
| Gifts and donations..... | - | - | 322,093 | 322,093 |
| School special revenue..... | - | - | 4,731,242 | 4,731,242 |
| School gifts and donations..... | - | - | 184,322 | 184,322 |
| Capital projects..... | - | - | 7,291,497 | 7,291,497 |
| Expendable trust funds..... | - | - | 1,237,995 | 1,237,995 |
| Other permanent funds..... | - | - | 162,540 | 162,540 |
| Cemetery trust..... | - | - | 1,279,462 | 1,279,462 |
| Committed to: | | | | |
| Articles and continuing appropriations..... | 1,920,962 | - | - | 1,920,962 |
| Assigned to: | | | | |
| Encumbrances: | | | | |
| General government division..... | 35,151 | - | - | 35,151 |
| Finance division..... | 11,411 | - | - | 11,411 |
| Technology services division..... | 7,140 | - | - | 7,140 |
| Human resources division..... | 21,718 | - | - | 21,718 |
| Police division..... | 6,811 | - | - | 6,811 |
| Fire division..... | 1,339 | - | - | 1,339 |
| Public works division..... | 136,126 | - | - | 136,126 |
| Parks/recreation/cultural affairs..... | 74 | - | - | 74 |
| Inspectional services division..... | 7,167 | - | - | 7,167 |
| Framingham public schools..... | 3,864 | - | - | 3,864 |
| Framingham public library..... | 5,303 | - | - | 5,303 |
| Planning board..... | 4,404 | - | - | 4,404 |
| Miscellaneous unclassified..... | 801,681 | - | - | 801,681 |
| Free cash used for subsequent year budget..... | 4,887,009 | - | - | 4,887,009 |
| Unassigned..... | 53,030,483 | - | (7,553,210) | 45,477,273 |
| Total Fund Balances..... | \$ 60,917,718 | \$ 896,301 | \$ 20,366,871 | \$ 82,180,890 |

NOTE 10 – RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Health Insurance

On July 1, 2014, the City joined the Commonwealth of Massachusetts’ Group Insurance Commission (GIC) plan which is a premium based health insurance plan. Since then the City’s share of the health insurance premium has been paid directly from the governmental and enterprise funds. Prior to joining the GIC plan the City was self-insured and maintained an internal service fund to receive employer and employee premiums and pay for the related expenses. The City has maintained the net position in the internal service fund to first pay for any claims covered under the self-insured plan submitted after June 30, 2014 and to keep in reserve the remaining net position in the event the City elected to leave the GIC plan and reestablish the self-insured plan. The City does not expect to receive any additional significant claims and at the end of the current fiscal year \$5,002,711 of net position is reserved for health insurance.

The City accounts for employee life insurance in the internal service fund in which the employee pays 100% of the premium. There is no net position reserved for life insurance.

This City is self-insured for dental insurance and the premiums are split 50/50 between the employer and employee. The activity of this plan is accounted for in the internal service fund. At the end of the current year the City has estimated an incurred but not reported liability of \$42,651 for dental claims and \$128,000 of net position is reserved for dental insurance.

Changes in the dental insurance incurred but not reported liability since July 1, 2018 are as follows:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End |
|-----------|------------------------------------|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 2019..... | \$ 553,455 | \$ 1,797,565 | \$ (2,308,369) | \$ 42,651 |

NOTE 11 – PENSION PLAN

Plan Descriptions

The City is a member of the Framingham Contributory Retirement System (FCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 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 also 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, and educational collaborative. The MTRS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer’s covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The City’s portion of the collective pension expense, contributed by the Commonwealth, of \$25,889,314 is reported in the general fund as intergovernmental revenue and pension expenditures in the current fiscal year. The portion of the Commonwealth’s collective net pension liability associated with the City is \$255,481,136 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 System provides for 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.

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. There have been no changes in benefit terms as of December 31, 2018.

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

| | |
|--|---------------------|
| Active members..... | 1,195 |
| Inactive members..... | 316 |
| Retirees and beneficiaries currently receiving benefits..... | <u>836</u> |
| Total..... | <u><u>2,347</u></u> |

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System 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 FCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2018 was an actuarially determined amount of \$16,371,000. This amount 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 total member units' contribution is equal to 24.70% of covered payroll. The City's proportionate share of the required contribution was \$15,413,000. The City's actual contributions were \$15,459,000.

Pension Liabilities

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

| | | |
|--|----|----------------------|
| Total pension liability..... | \$ | 438,587,000 |
| Total pension plan's fiduciary net position..... | | <u>(308,072,000)</u> |
| Total net pension liability..... | \$ | <u>130,515,000</u> |
| The pension plan's fiduciary net position as | | |
| a percentage of the total pension liability..... | | 70.24% |

At June 30, 2019, the City reported a liability of \$122,880,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2018, the City's proportion was 94.15%. This represents a decrease from its 94.30% proportion measured at December 31, 2017.

Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$19,998,000. At June 30, 2019, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|----------------------|
| Differences between expected and actual experience..... | \$ 1,878,000 | \$ (2,395,000) | \$ (517,000) |
| Difference between projected and actual earnings..... | 11,747,000 | - | 11,747,000 |
| Changes in assumptions..... | 13,236,000 | - | 13,236,000 |
| Changes in proportion and proportionate share of contributions..... | - | (120,000) | (120,000) |
| Total deferred outflows/(inflows) of resources..... | <u>\$ 26,861,000</u> | <u>\$ (2,515,000)</u> | <u>\$ 24,346,000</u> |

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

| | |
|----------------------------|--------------------------|
| <u>Year ended June 30:</u> | |
| 2020..... | \$ 8,924,000 |
| 2021..... | 5,431,000 |
| 2022..... | 3,925,000 |
| 2023..... | <u>6,066,000</u> |
| Total..... | \$ <u>24,346,000</u> |

Actuarial Assumptions

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

| | |
|------------------------------------|--|
| Valuation date..... | January 1, 2018 |
| Actuarial cost method..... | Entry Age Normal Cost Method. |
| Amortization method - UAAL..... | Total payments increase 7.38% for one year then 5.50% each year until FY29, with a final amortization payment in FY30. |
| Remaining amortization period..... | 11 years from July 1, 2019. |
| Asset valuation method..... | Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over five years beginning with this valuation. |
| Investment rate of return..... | 7.35%, net of pension plan investment expense, including |
| Discount rate..... | 7.35% |
| Salary increases..... | Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4. |
| Cost of living adjustments..... | 3% of the first \$12,000. |
| Mortality rates..... | Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct). The actuarial liability based on these assumptions was increased by 0.75% to reflect the anticipated impact of the assumption change to be made after the local system retiree mortality study is completed. |

Investment policy

The pension plan'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 pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------------|-------------------------------------|--|
| US equity..... | 17.50% | 7.62% |
| International equity..... | 15.50% | 7.80% |
| Emerging international equity..... | 6.00% | 9.31% |
| Core bonds..... | 5.00% | 4.37% |
| 20+ yr Treasury STRIPS..... | 2.00% | 3.50% |
| TIPS..... | 5.00% | 4.00% |
| Value-added fixed income..... | 10.00% | 7.58% |
| Private equity..... | 12.00% | 11.15% |
| Real estate..... | 10.00% | 6.59% |
| Timberland..... | 4.00% | 7.00% |
| Portfolio completion strategies..... | 13.00% | 6.83% |
| Total..... | 100.00% | |

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.26%. 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 7.35%. 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 pension plan'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 7.35%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

| | 1% Decrease (6.35%) | Current Discount (7.35%) | 1% Increase (8.35%) |
|--|------------------------|--------------------------------|------------------------|
| The City's proportionate share of the net pension liability..... | \$ 169,197,000 | \$ 122,880,000 | \$ 83,603,000 |
| FCRS total net pension liability..... | \$ 179,710,000 | \$ 130,515,000 | \$ 88,798,000 |

Changes of Assumptions – The discount rate utilized in the January 1, 2018 valuation was 7.35%; a decrease from the 7.50% discount rate utilized in the prior valuation.

Changes in plan provisions – None

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The City of Framingham administers a single-employer defined benefit healthcare plan (“the Retiree Health 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 Retiree Health 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 between 77.5 and 84 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2019, the City’s average contribution rate was 9.24% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish a postemployment benefit trust fund and to enable the City to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2019, the City pre-funded future OPEB liabilities by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the balance of this fund totaled \$6.8 million.

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows 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, and investments are reported at fair value.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2019,

and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Employees covered by Benefit Terms – The following table represents the Plan’s membership at July 1, 2018:

| | |
|--|---------------------|
| Active members..... | 1,743 |
| Inactive members currently receiving benefits..... | <u>1,376</u> |
| Total..... | <u><u>3,119</u></u> |

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

| | |
|--|------------------------------|
| Total OPEB liability..... | \$ 394,372,112 |
| Less: OPEB plan's fiduciary net position..... | <u>(6,793,840)</u> |
| Net OPEB liability..... | <u><u>\$ 387,578,272</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 1.72% |

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019, to be in accordance with GASB Statements #74 and #75:

| | |
|--|---|
| Valuation date..... | July 1, 2018 |
| Actuarial cost method..... | Entry age normal. |
| Asset valuation method..... | Market value. |
| Discount rate/investment rate of return..... | 2.79% |
| Healthcare trend rate..... | 8% decreasing to an ultimate rate of 5%. |
| Inflation rate..... | 3% per annum. |
| Salary increases..... | 3% per annum. |
| Mortality rates..... | RP-20006 mortality table with MP-2018 projection. |

Rate of return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.30%. 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 City Council 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 City’s OPEB investments were invested using the City’s investment policy. The City maintains their OPEB trust funds in a portfolio that is invested to achieve a specific real rate of return. The target allocation as of June 30, 2019, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|---------------------|--|---|
| Fixed income..... | 100.00% | 1.50% |
| Global equity..... | 0.00% | 6.50% |
| Private equity..... | 0.00% | 6.00% |
| Real Estate..... | 0.00% | 5.50% |
| Cash..... | 0.00% | 0.00% |
| | 100.00% | |

Discount Rate - The discount rate used to measure the total OPEB liability was 2.79% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the 2.79% municipal bond rate, based on the S&P Municipal Bond 20-Year High Grade Bond index rate as of June 30, 2019, was applied to all periods to determine the total OPEB liability.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|----------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan | |
| | | Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2018..... | \$ 437,680,792 | \$ 6,141,787 | \$ 431,539,005 |
| Changes for the year: | | | |
| Service cost..... | 16,611,848 | - | 16,611,848 |
| Interest..... | 12,845,070 | - | 12,845,070 |
| Differences between expected and actual experience..... | (71,678,729) | - | (71,678,729) |
| Changes of assumptions..... | 12,189,449 | - | 12,189,449 |
| Benefit payments..... | (13,276,318) | (13,276,318) | - |
| Employer contributions..... | - | 13,526,318 | (13,526,318) |
| Net investment income..... | - | 402,053 | (402,053) |
| Net change..... | (43,308,680) | 652,053 | (43,960,733) |
| Balances at June 30, 2019..... | \$ 394,372,112 | \$ 6,793,840 | \$ 387,578,272 |

Sensitivity of the net other postemployment 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 2.79%, 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 (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

| | 1% Decrease (1.79%) | Current Discount Rate (2.79%) | 1% Increase (3.79%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 451,726,053 | \$ 387,578,272 | \$ 323,430,492 |

Sensitivity of the net other postemployment 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 of 8% initially, decreasing to an ultimate rate of 5%, 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..... | \$ 313,692,370 | \$ 387,578,272 | \$ 477,365,758 |

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the financial reporting year ended June 30, 2019, the City recognized OPEB expense of \$30,283,608 and reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-----------------|
| Differences between expected and actual experience..... | \$ 27,186,654 | \$ (63,714,426) | \$ (36,527,772) |
| Changes in assumptions..... | 76,852,208 | - | 76,852,208 |
| Difference between projected and actual earnings..... | - | (559,055) | (559,055) |
| Total deferred outflows/(inflows) of resources..... | \$ 104,038,862 | \$ (64,273,481) | \$ 39,765,381 |

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

Reporting date year ended June 30:

| | | |
|-----------------|----|--------------------------|
| 2020..... | \$ | 1,009,716 |
| 2021..... | | 1,009,716 |
| 2022..... | | 1,009,716 |
| 2023..... | | 1,040,047 |
| 2024..... | | 1,157,063 |
| Thereafter..... | | <u>34,539,123</u> |
| Total..... | \$ | <u><u>39,765,381</u></u> |

Changes in Assumptions – The discount rate utilized in the most recent valuation was 2.79%, a decrease from the 2.98% rate used in the prior valuation.

Changes in Plan Provisions – None.

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

GAAP requires that all Pension and Other Postemployment 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 Postemployment Benefit Trust Funds.

| | Pension Trust Fund (as of December 31, 2018) | Other Postemployment Benefit Trust Fund | Total Pension and Other Postemployment Benefit Trust Funds |
|--|---|--|--|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 4,571,409 | \$ 117,296 | \$ 4,688,705 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 303,429,190 | - | 303,429,190 |
| Mutual funds..... | - | 6,676,544 | 6,676,544 |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental..... | 42,062 | - | 42,062 |
| Other assets..... | <u>54,550</u> | <u>-</u> | <u>54,550</u> |
| TOTAL ASSETS..... | <u>308,097,211</u> | <u>6,793,840</u> | <u>314,891,051</u> |
| LIABILITIES | | | |
| Warrants payable..... | <u>24,865</u> | <u>-</u> | <u>24,865</u> |
| NET POSITION | | | |
| Restricted for pensions..... | 308,072,346 | - | 308,072,346 |
| Restricted for other postemployment benefits..... | <u>-</u> | <u>6,793,840</u> | <u>6,793,840</u> |
| TOTAL NET POSITION..... | <u>\$ 308,072,346</u> | <u>\$ 6,793,840</u> | <u>\$ 314,866,186</u> |

| | Pension Trust Fund (as of December 31, 2018) | Other Postemployment Benefit Trust Fund | Total Pension and Other Postemployment Benefit Trust Funds |
|---|---|--|--|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer contributions..... | \$ 16,419,890 | \$ 250,000 | \$ 16,669,890 |
| Employer contributions for other postemployment benefit payments..... | - | 13,276,318 | 13,276,318 |
| Member contributions..... | 6,940,124 | - | 6,940,124 |
| Transfers from other systems..... | 536,130 | - | 536,130 |
| 3(8)c contributions from other systems..... | 978,939 | - | 978,939 |
| Member makeup payments and redeposits..... | 54,227 | - | 54,227 |
| Intergovernmental..... | 169,881 | - | 169,881 |
| Total contributions..... | 25,099,191 | 13,526,318 | 38,625,509 |
| Net investment income: | | | |
| Investment income..... | (5,422,589) | 402,053 | (5,020,536) |
| Less: investment expense..... | (1,656,376) | - | (1,656,376) |
| Net investment income (loss)..... | (7,078,965) | 402,053 | (6,676,912) |
| TOTAL ADDITIONS..... | 18,020,226 | 13,928,371 | 31,948,597 |
| DEDUCTIONS: | | | |
| Administration..... | 381,845 | - | 381,845 |
| Transfers to other systems..... | 1,012,215 | - | 1,012,215 |
| 3(8)c transfer to other systems..... | 1,152,546 | - | 1,152,546 |
| Retirement benefits and refunds..... | 25,345,128 | - | 25,345,128 |
| Other postemployment benefit payments..... | - | 13,276,318 | 13,276,318 |
| TOTAL DEDUCTIONS..... | 27,891,734 | 13,276,318 | 41,168,052 |
| NET INCREASE (DECREASE) IN NET POSITION..... | (9,871,508) | 652,053 | (9,219,455) |
| NET POSITION AT BEGINNING OF YEAR..... | 317,943,854 | 6,141,787 | 324,085,641 |
| NET POSITION AT END OF YEAR..... | \$ 308,072,346 | \$ 6,793,840 | \$ 314,866,186 |

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Federal Grant Participation

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2019, 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.

Other

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2020, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | | | 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 | | | |
| REVENUES: | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ - | \$ 189,168,508 | \$ 189,168,508 | \$ 189,150,847 | \$ 190,177,635 | \$ - | \$ 1,026,788 |
| Tax liens..... | - | - | - | - | 1,157,065 | - | 1,157,065 |
| Motor vehicle and other excise taxes..... | - | 8,690,400 | 8,690,400 | 8,690,400 | 8,796,718 | - | 106,318 |
| Hotel/motel tax..... | - | 1,490,725 | 1,490,725 | 1,490,725 | 1,475,090 | - | (15,635) |
| Meals tax..... | - | 1,411,255 | 1,411,255 | 1,411,255 | 1,527,407 | - | 116,152 |
| Penalties and interest on taxes..... | - | 1,415,701 | 1,415,701 | 1,415,701 | 970,439 | - | (445,262) |
| Fees and rentals..... | - | 1,427,278 | 1,427,278 | 1,427,278 | 2,320,679 | - | 893,401 |
| Payments in lieu of taxes..... | - | 992,333 | 992,333 | 671,564 | 694,814 | - | 23,250 |
| Licenses and permits..... | - | 3,605,015 | 3,605,015 | 3,605,015 | 6,921,132 | - | 3,316,117 |
| Fines and forfeitures..... | - | 404,855 | 404,855 | 434,855 | 357,586 | - | (77,269) |
| Intergovernmental..... | - | 63,063,608 | 63,063,608 | 63,762,210 | 64,173,194 | - | 410,984 |
| Departmental and other..... | - | 1,051,620 | 1,051,620 | 1,051,620 | 1,019,829 | - | (31,791) |
| Investment income..... | - | 61,778 | 61,778 | 61,778 | 647,460 | - | 585,682 |
| Miscellaneous..... | - | 132,730 | 132,730 | 187,040 | 1,007,321 | - | 820,281 |
| TOTAL REVENUES..... | - | 272,915,806 | 272,915,806 | 273,360,288 | 281,246,369 | - | 7,886,081 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government division..... | 24,303 | 4,294,201 | 4,318,504 | 4,229,870 | 3,775,020 | 35,151 | 419,699 |
| City council..... | - | 242,184 | 242,184 | 213,340 | 152,732 | - | 60,608 |
| Finance division..... | 13,793 | 2,554,916 | 2,568,709 | 3,153,368 | 2,992,774 | 11,411 | 149,183 |
| Technology services division..... | 7,140 | 2,587,112 | 2,594,252 | 2,594,252 | 2,495,914 | 7,140 | 91,198 |
| Human resources division..... | 22,593 | 1,183,927 | 1,206,520 | 1,251,520 | 1,162,598 | 21,718 | 67,204 |
| Planning and economic development..... | - | 559,646 | 559,646 | 550,796 | 509,674 | - | 41,122 |
| Police division..... | 161,324 | 14,590,336 | 14,751,660 | 15,241,660 | 14,277,522 | 6,811 | 957,327 |
| Fire division..... | 1,339 | 14,829,855 | 14,831,194 | 14,831,194 | 14,450,722 | 1,339 | 379,133 |
| Public works division..... | 345,144 | 11,827,294 | 12,172,438 | 12,363,438 | 11,736,144 | 136,126 | 491,168 |
| Snow and ice appropriation..... | 22,022 | 1,654,688 | 1,676,710 | 2,133,936 | 2,114,331 | - | 19,605 |
| Parks/recreation/cultural affairs..... | 74 | 4,078,602 | 4,078,676 | 4,078,676 | 3,981,539 | 74 | 97,063 |
| Inspection services division..... | 29,783 | 2,384,323 | 2,414,106 | 2,375,730 | 2,091,301 | 7,167 | 277,262 |
| Framingham public schools..... | 3,950 | 133,017,949 | 133,021,899 | 133,021,899 | 132,537,289 | 3,864 | 480,746 |
| Keefe technical assessment..... | - | 8,992,888 | 8,992,888 | 8,992,888 | 8,992,897 | - | (9) |
| Framingham public library..... | 63,488 | 3,319,354 | 3,382,842 | 3,382,842 | 3,196,847 | 5,303 | 180,692 |
| Planning board..... | 2,263 | 236,691 | 238,954 | 208,808 | 174,846 | 4,404 | 29,558 |
| Town clerk/elections..... | - | 454,181 | 454,181 | 544,436 | 495,911 | - | 48,525 |
| Town clerk stipend..... | - | 103,450 | 103,450 | 8,195 | 8,195 | - | - |
| Reserve fund..... | - | 400,000 | 400,000 | 400,000 | - | - | 400,000 |
| Miscellaneous unclassified..... | 824,007 | 34,485,521 | 35,309,528 | 34,674,528 | 33,451,068 | 801,681 | 421,779 |
| Retirement appropriation..... | - | 17,546,843 | 17,546,843 | 17,646,843 | 17,579,578 | - | 67,265 |
| Debt service..... | - | 14,891,223 | 14,891,223 | 14,433,997 | 13,920,987 | - | 513,010 |
| Non-appropriated items..... | - | 10,328,171 | 10,328,171 | 10,399,797 | 8,278,615 | - | 2,121,182 |
| Articles..... | 2,085,079 | 243,500 | 2,328,579 | 2,379,679 | 458,717 | 1,920,962 | - |
| TOTAL EXPENDITURES..... | 3,606,302 | 284,806,855 | 288,413,157 | 289,111,692 | 278,835,221 | 2,963,151 | 7,313,320 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (3,606,302) | (11,891,049) | (15,497,351) | (15,751,404) | 2,411,148 | (2,963,151) | 15,199,401 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Premium from issuance of bonds..... | - | - | - | 4,119 | 45,326 | - | 41,207 |
| Use of prior year reserves..... | 3,606,302 | - | 3,606,302 | 3,606,302 | - | - | (3,606,302) |
| Use of free cash..... | - | 6,099,551 | 6,099,551 | 7,682,361 | - | - | (7,682,361) |
| Use of overlay..... | - | 2,100,000 | 2,100,000 | 2,100,000 | - | - | (2,100,000) |
| Transfers in..... | - | 4,143,411 | 4,143,411 | 4,485,695 | 4,273,847 | - | (211,848) |
| Transfers out..... | - | (451,913) | (451,913) | (1,923,445) | (1,923,445) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 3,606,302 | 11,891,049 | 15,497,351 | 15,955,032 | 2,395,728 | - | (13,559,304) |
| NET CHANGE IN FUND BALANCE..... | - | - | - | 203,628 | 4,806,876 | (2,963,151) | 1,640,097 |
| BUDGETARY FUND BALANCE, Beginning of year..... | - | 30,172,789 | 30,172,789 | 30,172,789 | 30,172,789 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ - | \$ 30,172,789 | \$ 30,172,789 | \$ 30,376,417 | \$ 34,979,665 | \$ (2,963,151) | \$ 1,640,097 |

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

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

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

The Pension Plan's Schedule of Investment Return 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
FRAMINGHAM CONTRIBUTORY RETIREMENT SYSTEM**

| | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | | |
| Service cost..... | \$ 7,704,000 | \$ 8,051,000 | \$ 9,458,000 | \$ 9,884,000 | \$ 10,150,000 |
| Interest..... | 26,082,000 | 27,088,000 | 27,295,000 | 29,959,000 | 30,897,000 |
| Differences between expected and actual experience..... | - | - | 4,294,000 | (4,041,000) | - |
| Changes in assumptions..... | - | - | 17,370,000 | 9,520,000 | - |
| Benefit payments..... | <u>(20,678,000)</u> | <u>(21,633,000)</u> | <u>(22,645,000)</u> | <u>(24,002,000)</u> | <u>(25,349,000)</u> |
| Net change in total pension liability..... | 13,108,000 | 13,506,000 | 35,772,000 | 21,320,000 | 15,698,000 |
| Total pension liability - beginning..... | <u>339,183,000</u> | <u>352,291,000</u> | <u>365,797,000</u> | <u>401,569,000</u> | <u>422,889,000</u> |
| Total pension liability - ending (a)..... | <u>\$ 352,291,000</u> | <u>\$ 365,797,000</u> | <u>\$ 401,569,000</u> | <u>\$ 422,889,000</u> | <u>\$ 438,587,000</u> |
| Plan fiduciary net position: | | | | | |
| Employer contributions..... | \$ 12,470,000 | \$ 13,103,000 | \$ 13,756,000 | \$ 15,525,000 | \$ 16,420,000 |
| Member contributions..... | 5,653,000 | 6,086,000 | 6,492,000 | 6,618,000 | 6,940,000 |
| Net investment income (loss)..... | 18,194,000 | 1,423,000 | 18,969,000 | 46,481,000 | (7,079,000) |
| Administrative expenses..... | (351,000) | (327,000) | (327,000) | (364,000) | (382,000) |
| Retirement benefits and refunds..... | (20,678,000) | (21,633,000) | (22,645,000) | (24,518,000) | (25,941,000) |
| Other receipts..... | <u>23,000</u> | <u>15,000</u> | <u>10,000</u> | <u>153,000</u> | <u>170,000</u> |
| Net increase (decrease) in fiduciary net position..... | 15,311,000 | (1,333,000) | 16,255,000 | 43,895,000 | (9,872,000) |
| Fiduciary net position - beginning of year..... | <u>243,816,000</u> | <u>259,127,000</u> | <u>257,794,000</u> | <u>274,049,000</u> | <u>317,944,000</u> |
| Fiduciary net position - end of year (b)..... | <u>\$ 259,127,000</u> | <u>\$ 257,794,000</u> | <u>\$ 274,049,000</u> | <u>\$ 317,944,000</u> | <u>\$ 308,072,000</u> |
| Net pension liability - ending (a)-(b)..... | <u>\$ 93,164,000</u> | <u>\$ 108,003,000</u> | <u>\$ 127,520,000</u> | <u>\$ 104,945,000</u> | <u>\$ 130,515,000</u> |
| Plan fiduciary net position as a percentage of the total pension liability..... | 73.55% | 70.47% | 68.24% | 75.18% | 70.24% |
| Covered payroll..... | \$ 55,766,000 | \$ 55,766,000 | \$ 64,070,000 | \$ 66,275,000 | \$ 66,275,000 |
| Net pension liability as a percentage of covered payroll..... | 167.06% | 193.67% | 199.03% | 158.35% | 196.93% |

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
FRAMINGHAM CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|------------------------|---|--|--|--------------------|--|
| December 31, 2018..... | \$ 16,371,000 | \$ (16,420,000) | \$ (49,000) | \$ 66,275,000 | 24.78% |
| December 31, 2017..... | 15,525,000 | (15,525,000) | - | 66,275,000 | 23.43% |
| December 31, 2016..... | 13,686,000 | (13,686,000) | - | 64,070,000 | 21.36% |
| December 31, 2015..... | 13,035,000 | (13,035,000) | - | 55,766,000 | 23.37% |
| December 31, 2014..... | 12,414,000 | (12,414,000) | - | 55,766,000 | 22.26% |

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
FRAMINGHAM CONTRIBUTORY RETIREMENT SYSTEM

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|------------------------|--|
| December 31, 2018..... | -2.26% |
| December 31, 2017..... | 17.66% |
| December 31, 2016..... | 7.45% |
| December 31, 2015..... | 0.55% |
| December 31, 2014..... | 7.69% |

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 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 Contributory 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
FRAMINGHAM 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, 2018..... | 94.15% | \$ 122,880,000 | \$ 62,397,913 | 196.93% | 70.24% |
| December 31, 2017..... | 94.30% | 98,963,000 | 62,497,325 | 158.35% | 75.18% |
| December 31, 2016..... | 94.56% | 120,583,000 | 60,584,138 | 199.03% | 68.24% |
| December 31, 2015..... | 95.19% | 102,808,000 | 55,714,767 | 184.53% | 70.47% |
| December 31, 2014..... | 95.11% | 88,609,000 | 55,714,767 | 159.04% | 73.55% |

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
FRAMINGHAM CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|--------------------|---|--|--|--------------------|--|
| June 30, 2019..... | \$ 15,412,744 | \$ (15,458,744) | \$ (46,000) | \$ 62,397,913 | 24.77% |
| June 30, 2018..... | 14,584,129 | (14,584,129) | - | 64,372,245 | 22.66% |
| June 30, 2017..... | 12,941,893 | (12,941,893) | - | 62,401,662 | 20.74% |
| June 30, 2016..... | 12,407,731 | (12,407,731) | - | 57,386,210 | 21.62% |
| June 30, 2015..... | 11,806,955 | (11,806,955) | - | 57,386,210 | 20.57% |

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

See notes to required supplementary information.

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

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

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2019..... | \$ 255,481,136 | \$ 25,889,314 | 54.84% |
| 2018..... | 245,297,947 | 25,602,461 | 54.25% |
| 2017..... | 237,979,362 | 24,275,455 | 52.73% |
| 2016..... | 214,722,934 | 17,415,941 | 55.38% |
| 2015..... | 164,027,046 | 11,395,746 | 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 Return presents multi-year trend information on the money-weighted investment return on the other postemployment assets, net of investment expense.

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

| | June 30, 2017 | June 30, 2018 | June 30, 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | |
| Service Cost..... | \$ 11,789,210 | \$ 12,759,696 | \$ 16,611,848 |
| Interest..... | 12,026,552 | 9,480,391 | 12,845,070 |
| Changes of benefit terms..... | - | - | - |
| Differences between expected and actual experience.... | - | 77,235,384 | (71,678,729) |
| Changes of assumptions..... | - | 31,502,378 | 12,189,449 |
| Benefit payments..... | <u>(10,372,642)</u> | <u>(12,590,312)</u> | <u>(13,276,318)</u> |
| Net change in total OPEB liability..... | 13,443,120 | 118,387,537 | (43,308,680) |
| Total OPEB liability - beginning..... | <u>305,850,135</u> | <u>319,293,255</u> | <u>437,680,792</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 319,293,255</u> | <u>\$ 437,680,792</u> | <u>\$ 394,372,112</u> |
| Plan fiduciary net position | | | |
| Employer contributions..... | \$ 751,710 | \$ 500,600 | \$ 250,000 |
| Employer contributions for OPEB payments..... | 10,372,642 | 12,590,312 | 13,276,318 |
| Net investment income..... | 341,405 | 317,806 | 402,053 |
| Benefit payments..... | <u>(10,372,642)</u> | <u>(12,590,312)</u> | <u>(13,276,318)</u> |
| Net change in plan fiduciary net position..... | 1,093,115 | 818,406 | 652,053 |
| Plan fiduciary net position - beginning of year..... | <u>4,230,266</u> | <u>5,323,381</u> | <u>6,141,787</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 5,323,381</u> | <u>\$ 6,141,787</u> | <u>\$ 6,793,840</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 313,969,874</u> | <u>\$ 431,539,005</u> | <u>\$ 387,578,272</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 1.67% | 1.40% | 1.72% |
| Covered-employee payroll..... | \$ 110,000,000 | \$ 113,300,000 | \$ 146,418,000 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 285.43% | 380.88% | 264.71% |

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

See notes to required supplementary information.

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

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2019..... | \$ 45,564,423 | \$ (13,526,318) | \$ 32,038,105 | \$ 146,418,000 | 9.24% |
| June 30, 2018..... | 22,240,087 | (13,090,912) | 9,149,175 | 113,300,000 | 11.55% |
| June 30, 2017..... | 23,815,762 | (11,124,352) | 12,691,410 | 110,000,000 | 10.11% |

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| Year | Annual money-weighted rate of return, net of investment expense |
|--------------------|---|
| June 30, 2019..... | 6.30% |
| June 30, 2018..... | 5.70% |
| June 30, 2017..... | 3.00% |

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

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by a majority vote at the City Council. The Mayor presents an annual operating and capital budget at the City Council which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The City 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 departments subsequent to the approval of the annual budget require majority approval via the City Council.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2019 approved budget authorized approximately \$288.9 million in appropriations inclusive of \$3.6 million of encumbrances carried forward from 2018. During 2019, the Council also approved supplemental appropriations that collectively totaled \$2.2 million.

The Finance Director has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019, is presented below:

| | |
|--|---------------------|
| Net change in fund balance - budgetary basis..... | \$ 4,806,876 |
| <u>Perspective differences:</u> | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | (138,585) |
| <u>Basis of accounting differences:</u> | |
| Net change in recording tax refunds payable..... | 2,822,167 |
| Net change in recording 60 day receipts..... | 151,776 |
| Recognition of revenue for on-behalf payments..... | 25,889,314 |
| Recognition of expenditures for on-behalf payments..... | <u>(25,889,314)</u> |
| Net change in fund balance - GAAP basis..... | <u>\$ 7,642,234</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 System's total pension liability, changes in the System's 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 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 Return

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 - CitySchedule 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 Plan Assumptions

The discount rate utilized in the January 1, 2018 valuation was 7.35%; a decrease from the 7.50% discount rate utilized in the prior valuation.

Changes in Plan Provisions:

There were no changes in plan provisions.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The City of Framingham administers a single-employer defined benefit healthcare plan (“the Retiree Health 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.

The Other Postemployment Benefit PlanThe 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 payroll. Methods and assumptions used to determine contribution rates are as follows:

| | |
|--|---|
| Valuation date..... | July 1, 2018 |
| Actuarial cost method..... | Entry age normal. |
| Asset valuation method..... | Market value. |
| Discount rate/investment rate of return..... | 2.79% |
| Healthcare trend rate..... | 8% decreasing to an ultimate rate of 5%. |
| Inflation rate..... | 3% per annum. |
| Salary increases..... | 3% per annum. |
| Mortality rates..... | RP-20006 mortality table with MP-2018 projection. |

Schedule of Investment Return

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

Changes in Plan Assumptions

The discount rate utilized in the most recent valuation was 2.79%, a decrease from the 2.98% rate used in the prior valuation.

Changes in Plan Provisions:

There were no changes in plan provisions.