

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

CITY OF FALL RIVER, MASSACHUSETTS

Basic Financial Statements
and Additional Information

Year Ended June 30, 2021



CITY OF FALL RIVER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Honorable Members of the City Council
City of Fall River, Massachusetts

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 Fall River, Massachusetts, (the "City") as of and for the year ended June 30, 2021 (except for the Fall River Contributory Retirement System, which is as of December 31, 2020) 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.

Auditors' 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 includes 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 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.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include the financial data for the Fall River Redevelopment Authority, a discretely presented component unit. Accounting principles generally accepted in the United States of America require financial data for component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the discretely presented component unit are understated by an amount that has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Discretely Presented Component Unit* paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City as of June 30, 2021 or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, (except for the Fall River Contributory Retirement System, which is as of December 31, 2020) 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.

Restatement

We audited the City's basic financial statements as of and for the year ended June 30, 2021, for which we issued opinions dated January 4, 2021. As discussed in note V to the financial statements, the City adopted Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities*, in fiscal year 2021. In connection with the adoption of this accounting standard, previously reported total net position in the Statement of Net Position and fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances were restated. Additionally, previously reported balances related to other postemployment benefits were restated to reflect changes in allocation. We audited the adjustments described in Note V that were applied to restate the June 30, 2020 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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 a report dated February 3, 2022 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
February 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the City of Fall River, Massachusetts (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The City's construction of a new high school was near complete at June 30, 2021. Students began attending this new school in September 2021.
- The City's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by approximately \$326.2 million (total net position). The City's total net position deficit improved by over \$22.2 million year-over-year. The City's governmental activities improved by over \$14.3 million while its business-type activities increased by approximately \$7.9 million.
- The City continues to report deficits in unrestricted net position in both its governmental activities and business-type activities. At June 30, 2021, the total deficit in unrestricted net position was approximately \$899.7 million. This deficit is primarily the result of the recording of approximately \$974.7 million in long-term obligations associated with net OPEB liabilities and net pension liabilities.
- At the close of the current fiscal year, the City's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$54.9 million. This represents a decrease of approximately \$8.1 million from the prior year. The Town reported a decrease of approximately \$21.5 million in its Durfee High School fund as it expended resources from both fiscal year 2020 and 2021 general obligation bond issuances. Each of the City's other major governmental funds reported increases in fund balances during fiscal year 2021.
- The general fund reported an approximate \$15.6 million unassigned fund balance at June 30, 2021 and is available for spending at the government's discretion. An additional \$6.7 million was assigned as a reservation for the City's normal purchase order activity.
- The City's total general obligation bond and notes payable debt increased nearly \$67.8 million in fiscal year 2021 to nearly \$370.5 million.
- The City received approximately \$34.8 million from the federal government under the American Rescue Plan Act ("ARPA") coronavirus state and local fiscal recovery fund in late fiscal year 2021. This was the first installment of approximately \$87.0 million in eligible ARPA monies to the City from this fund. The use of these monies is less limited than the funding the City received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) governmental fund financial statements and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and its 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 of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick pay).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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 of the City include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, community development, fringe benefits and debt service. The business-type activities of the City include sewer, water and emergency medical services, or EMS.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major governmental funds if negative.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Durfee High School construction fund, capital projects fund and ARPA grant fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with its corresponding notes in this report.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the sewer, water and EMS activities.

Internal service funds are used to report activities that service all other City departments. The City uses an internal service fund to account for self-insured health insurance claims.

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 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

The condensed comparative statements of net position for the two most recent years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020 (a)</u>	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020 (a)</u>	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020 (a)</u>
Assets:						
Current and other assets	\$ 167,119,327	\$ 177,100,288	\$ 44,257,587	\$ 32,620,203	\$ 211,376,914	\$ 209,720,491
Capital assets, net	<u>570,743,021</u>	<u>465,743,406</u>	<u>306,956,698</u>	<u>291,345,197</u>	<u>877,699,719</u>	<u>757,088,603</u>
Total Assets	<u>737,862,348</u>	<u>642,843,694</u>	<u>351,214,285</u>	<u>323,965,400</u>	<u>1,089,076,633</u>	<u>966,809,094</u>
Deferred Outflows of Resources	<u>115,687,078</u>	<u>102,185,424</u>	<u>3,726,562</u>	<u>3,351,011</u>	<u>119,413,640</u>	<u>105,536,435</u>
Liabilities:						
Long-term liabilities	1,146,893,471	1,040,346,259	230,034,866	199,014,948	1,376,928,337	1,239,361,207
Other liabilities	<u>95,402,901</u>	<u>98,799,660</u>	<u>36,503,715</u>	<u>48,251,969</u>	<u>131,906,616</u>	<u>147,051,629</u>
Total Liabilities	<u>1,242,296,372</u>	<u>1,139,145,919</u>	<u>266,538,581</u>	<u>247,266,917</u>	<u>1,508,834,953</u>	<u>1,386,412,836</u>
Deferred Inflows of Resources	<u>24,414,222</u>	<u>33,375,204</u>	<u>1,438,468</u>	<u>997,164</u>	<u>25,852,690</u>	<u>34,372,368</u>
Net Position:						
Net investment in capital assets	423,402,586	365,125,578	108,582,701	100,433,716	531,985,287	465,559,294
Restricted	63,135,721	76,276,667	-	-	63,135,721	76,276,667
Unrestricted	<u>(899,699,475)</u>	<u>(868,894,250)</u>	<u>(21,618,903)</u>	<u>(21,381,386)</u>	<u>(921,318,378)</u>	<u>(890,275,636)</u>
Total Net Position	<u>\$ (413,161,168)</u>	<u>\$ (427,492,005)</u>	<u>\$ 86,963,798</u>	<u>\$ 79,052,330</u>	<u>\$ (326,197,370)</u>	<u>\$ (348,439,675)</u>

(a) As restated; refer to Note V.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's total net position increased by approximately \$22.2 million from the prior year.

The largest portion of the City's overall net position reflects its investment in capital assets less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth of Massachusetts) used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, 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 significant portion of the City's total net position represents resources that are subject to external restrictions on how they may be used. Restricted net position was approximately \$63.1 million at June 30, 2021.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$921.3 million. This deficit is entirely attributable to the City's recognition of net pension and net other postemployment benefits liabilities.

The condensed comparative statements of activities for the two most recent years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 15,877,303	\$ 10,927,394	\$ 46,738,812	\$ 42,769,334	\$ 62,616,115	\$ 53,696,728
Operating grants and contributions	226,071,953	210,017,601	1,372,353	1,463,559	227,444,306	211,481,160
Capital grants and contributions	62,516,220	64,319,158	3,849,916	2,686,446	66,366,136	67,005,604
General revenues:						
Property taxes	112,254,265	107,295,844	-	-	112,254,265	107,295,844
Excise taxes	11,637,539	10,940,427	-	-	11,637,539	10,940,427
Intergovernmental	25,646,902	25,638,233	-	-	25,646,902	25,638,233
Other	1,790,515	3,250,701	6,628	46,096	1,797,143	3,296,797
Total Revenues	455,794,697	432,389,358	51,967,709	46,965,435	507,762,406	479,354,793
Expenses:						
General government	14,702,606	12,997,288	-	-	14,702,606	12,997,288
Public safety	85,114,278	75,712,241	-	-	85,114,278	75,712,241
Education	289,920,840	270,352,195	-	-	289,920,840	270,352,195
Public works	28,470,605	26,937,746	-	-	28,470,605	26,937,746
Health and human services	6,954,029	8,032,949	-	-	6,954,029	8,032,949
Culture and recreation	2,398,846	2,483,256	-	-	2,398,846	2,483,256
Community development	8,735,886	6,724,490	-	-	8,735,886	6,724,490
Interest expense	5,111,870	4,759,460	-	-	5,111,870	4,759,460
Utility and user services	-	-	44,111,141	44,653,623	44,111,141	44,653,623
Total Expenses	441,408,960	407,999,625	44,111,141	44,653,623	485,520,101	452,653,248
Change in Net Position Before Transfers	14,385,737	24,389,733	7,856,568	2,311,812	22,242,305	26,701,545
Transfers	(54,900)	-	54,900	-	-	-
Change in Net Position	14,330,837	24,389,733	7,911,468	2,311,812	22,242,305	26,701,545
Net Position:						
Beginning of year	(427,492,005)	(441,720,709)	79,052,330	66,407,960	(348,439,675)	(375,312,749)
Restatement (refer to Note V)	-	(10,161,029)	-	10,332,558	-	171,529
End of year	\$ (413,161,168)	\$ (427,492,005)	\$ 86,963,798	\$ 79,052,330	\$ (326,197,370)	\$ (348,439,675)

Governmental Activities Revenues – Revenues in the City’s governmental activities increased over \$23.4 million, or 5.4%, year-over-year. The majority of this increase was due to increases of approximately \$16.1 million in operating grants and contributions and \$5.0 million in property taxes.

Operating grants and contributions continue to be the largest revenue source for the City. The largest sources of operating grants and contributions include education reimbursements (commonly referred to as Chapter 70 funds) and on-behalf payments made by the Commonwealth to the MTRS for City teachers. As a percentage of total revenues, operating grants and contributions represented approximately 50% and 49%, respectively, of fiscal year 2021 and 2020 total revenues. The approximate \$16.1 million increase in operating grants and contributions was due primarily to CARES Act receipts of over \$9.8 million, an approximate \$5.3 million increase in Chapter 70 education funding by the Commonwealth coupled with an approximate \$5.0 million increase in MTRS funding by the Commonwealth on-behalf of the City.

Property tax revenues represented approximately 25% of both fiscal year 2021 and 2020 total revenues. Property tax revenues increased nearly \$5.0 million, or 4.6%, year-over-year. There are a number of significant construction and renovation projects within the City, which has resulted in an increase in new growth within its property tax base; these increases, coupled with the statutory property tax rate increases, are the primary contributors to this growth.

Capital grants and contributions represented approximately 14% and 15%, respectively, of fiscal year 2021 and 2020 total revenues. Capital grants and contributions revenues decreased \$1.8 million year-over-year, primarily due to declining reimbursements from the MSBA relative to the Durfee High School construction project.

No other revenue source exceeded 10% of reported governmental activities' revenues in either fiscal year 2021 or 2020.

Governmental Activities Expenses – Expenses in the City's governmental activities increased over \$33.4 million, or 8%, year-over-year. The majority of this increase pertains to noncash pension (inclusive of MTRS) and OPEB expenses, which increased nearly \$11.4 million year-over-year. The remainder of the increases in governmental activities' expenses was due to normal and expected annual increases.

As a percentage of total expenses, education represented 66% of both fiscal year 2021 and 2020 expenses. Public safety expenses totaled 19% of both fiscal year 2021 and 2020 expenses. No other expense category exceeded 10% of reported governmental activities' expenses in either fiscal year 2021 or 2020.

Business-Type Activities Revenues – Revenues in the City's business-type activities increased over \$5.0 million, or 11%, year-over-year. This increase was due primarily to a nearly \$4.0 million increase in charges for services, which is primarily rate and consumption based.

Business-Type Activities Expenses – Expenses in the City's business-type activities decreased over \$0.5 million, or 1%, year-over-year. The majority of this decrease pertains to decreased noncash OPEB expenses resulting from a change in allocation methodology used by the City's new independent actuary.

Fiscal Year 2022 Changes to OPEB – Effective January 1, 2022, the City changed Medicare supplement plans. The City's actuary estimates that this change in plan design may result in approximately \$100 million in lower net OPEB liabilities, which under GAAP will be recognized completely in fiscal year 2022 versus being amortized over a multi-year period. The City cannot accurately estimate the complete impact of this change in plan design at this time.

Government Funds Financial Analysis

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's 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 fiscal year.

As of the close of the current fiscal year, the City's governmental funds balance sheet reported a combined ending fund balance surplus of over \$54.9 million. This represents a decrease of approximately \$8.1 million from the prior year. The Town reported a decrease of approximately \$21.5 million in its Durfee High School fund as it expended resources from both fiscal year 2020 and 2021 general obligation bond issuances. Each of the City's other major governmental funds reported increases in fund balances during fiscal year 2021.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$15.6 million, while total general fund balance exceeded \$22.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 4.7% of total fiscal year 2021 general fund expenditures, while total fund balance was 6.9% of that same amount; both of these ratios were improvements over the prior year. The City reports the financial position and activity of three of its funds as major governmental funds in these financial statements. The Durfee High School construction fund reported a fund balance of nearly \$8.7 million at June 30, 2021, which represented a decrease of over \$21.5 million from the prior year. This decrease was due to the expenditure of current and prior year general obligation bond proceeds together with capital contributions from the MSBA for the construction of this new high school. The new high school was near complete at year end and students began occupying the school in September 2021.

The City reports its capital projects fund as a major governmental fund. In fiscal year 2021, the fund balance in the capital projects fund increased nearly \$6.7 million to approximately \$2.1 million.

The City's expected receipt of approximately \$87.0 million from the federal government under the coronavirus state and local fiscal recovery funds, which are a part of ARPA, necessitated the reporting of the ARPA grant fund as a major fund at June 30, 2021. The City received nearly \$34.8 million in June 2021 as its initial installment on this grant, which was entirely deferred and reported as unearned revenues at June 30, 2021.

The City's aggregate nonmajor governmental funds include the City's special revenue funds and trust funds. The fund balances in the nonmajor funds increased approximately \$0.4 million in fiscal year 2021 to approximately \$21.4 million at June 30, 2021.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, the City's sewer and water funds reported positive net positions of approximately \$74.3 million and \$25.2 million, respectively. The City's EMS fund reports a deficit net position of nearly \$12.6 million, which was due entirely to the recognition of over \$18.1 million in net pension and net OPEB liabilities at June 30, 2021.

The internal service fund, which is used to account for the financial activity of the City's self-insured medical insurance programs, had a net position of approximately \$16.4 million at June 30, 2021. Of this total, approximately \$9.3 million of this balance represents the accumulated surplus from employee withholdings.

Fiduciary Fund – The City's fiduciary fund is comprised of the City's pension trust, other postemployment benefits trust and private purpose trust funds. The City's pension and other postemployment benefits trusts are combined for financial reporting purposes. The pension trust has a December 31, 2020 year end, while the other postemployment benefits trust has a June 30, 2021 year end. The combined pension and other employee benefit trust funds increased nearly \$32.7 million year-over-year. This increase was due entirely to the gains reported by the Fall River Contributory Retirement System, which like virtually all Massachusetts pension systems reported strong investment income in calendar year 2020 (fiscal year 2021).

The City's private purpose trust funds are not significant and were relatively unchanged year-over-year.

General Fund Budgetary Highlights

The City adopted a fiscal year 2021 budget in its general fund with total funds available for current year expenditures of approximately \$315.7 million, which was approximately \$13.5 million, or 4.5%, greater than the fiscal year 2020 general fund expenditure budget. In fiscal year 2021, the City increased its general fund budget by nearly \$195,000 net. The final fiscal year 2021 revenue budget reflected increases in estimated revenues from property taxes, investment income and Chapter 70 education reimbursements from the Commonwealth of approximately \$1.7 million; these revenue increases were offset by nearly \$0.6 million in revenue reductions, primarily in fees and other recurring revenues. The final fiscal year 2021 expense budget reflected a nearly \$0.8 million increase in education expenses and a nearly \$0.6 million increase in state and county charges; these were offset by an approximate \$1.2 million decrease in health and other insurance expenses.

The City's final 2021 budget also reflected the transfer of approximately \$2.2 million to capital projects, stabilization funds and OPEB trust, which were funded by free cash.

Actual fiscal year 2021 general fund revenues were consistent with budget. Actual fiscal year 2021 general fund expenditures, inclusive of encumbrances, were approximately \$5.2 million under the final budget. This positive budget surplus was due primarily to a nearly \$3.1 million surplus in school transportation and nearly \$0.9 million surplus in both general governmental expenditures as well as state and county charges.

For a more detailed analysis, refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totaled approximately \$877.7 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$120.6 million as current year additions outpaced depreciation expense.

Additional information on the City's capital assets can be found in the notes to the basic financial statements.

Long-Term Debt – At June 30, 2021, the City's total general obligation bond and notes payable debt increased nearly \$67.8 million to approximately \$370.5 million. The City issued nearly \$87.3 million in long-term bonds and notes and repaid approximately \$19.5 million in fiscal year 2021.

The City's short-term borrowings, which at June 30, 2021 consist of BANs and interim loans from the MCWT, decreased nearly \$54.8 million to approximately \$22.0 million at June 30, 2021. The City continues to dedicate significant resources to capital projects. The City expects to finance these short-term borrowings with general obligation bonds or MCWT notes payable in future periods.

Moody's Investors Services assigns the City an A3 credit rating on its general obligation bond obligations.

Economic Factors and Next Year's Budgets and Rates

- Net state aid for fiscal year 2022 is expected to increase to nearly \$147.5 million.
- Unlike most Massachusetts municipalities, the City's property tax levy is heavily weighted to commercial and industrial taxpayers. Approximately 34% of the property tax levy is assessed to commercial, industrial and personal property taxes.
- The City maintains rainy-day funds in the form of stabilization funds, which at June 30, 2021 totaled approximately \$9.2 million.
- The Massachusetts Department of Revenue ("DOR") certified over \$5.4 million in free cash on November 4, 2021, which may be used at the discretion of the City Council.
- Unemployment rates across the Commonwealth have improved greatly since the onset of the COVID-19 pandemic.

The above items were considered when the City accepted its budget for fiscal year 2022 in a June 2021 City Council Meeting. The City set its fiscal year 2022 tax rate on November 24, 2021.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Auditor, One Government Center, Fall River, Massachusetts 02722.

CITY OF FALL RIVER, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 114,723,884	\$ 17,405,291	\$ 132,129,175
Investments	5,638,839	-	5,638,839
Receivables, net of allowances:			
Property taxes	6,088,037	-	6,088,037
Excise taxes	2,001,152	-	2,001,152
Departmental, user charges and other	9,767,988	11,342,830	21,110,818
Intergovernmental	21,729,627	14,960,594	36,690,221
Prepaid items	485,000	-	485,000
Inventories	-	548,872	548,872
Working capital deposit	6,684,800	-	6,684,800
Land	19,393,900	6,862,169	26,256,069
Construction in-progress	244,049,908	48,612,898	292,662,806
Depreciable capital assets, net	307,299,213	251,481,631	558,780,844
Total Assets	737,862,348	351,214,285	1,089,076,633
Deferred Outflows of Resources:			
Loss on refunding	1,038,542	27,641	1,066,183
Other postemployment benefits	93,191,976	2,083,911	95,275,887
Pensions	21,456,560	1,615,010	23,071,570
Total Deferred Outflows of Resources	115,687,078	3,726,562	119,413,640
			(continued)

CITY OF FALL RIVER, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	19,593,104	3,223,932	22,817,036
Accrued payroll and withholdings	3,409,959	291,741	3,701,700
Health claims incurred but not reported	2,505,380	-	2,505,380
Retainage payable	9,322,382	1,238,671	10,561,053
Accrued interest	1,939,629	1,855,869	3,795,498
Unearned revenues	36,588,685	3,808,100	40,396,785
Other liabilities	335,550	-	335,550
Short-term notes payable	8,786,292	13,195,361	21,981,653
Noncurrent liabilities:			
Due within one year	12,921,920	12,890,041	25,811,961
Due in more than one year	1,146,893,471	230,034,866	1,376,928,337
Total Liabilities	<u>1,242,296,372</u>	<u>266,538,581</u>	<u>1,508,834,953</u>
Deferred Inflows of Resources:			
Prepaid property taxes	71,847	-	71,847
Other postemployment benefits	7,442,314	166,421	7,608,735
Pensions	16,900,061	1,272,047	18,172,108
Total Deferred Inflows of Resources	<u>24,414,222</u>	<u>1,438,468</u>	<u>25,852,690</u>
Net Position:			
Net investment in capital assets	423,402,586	108,582,701	531,985,287
Restricted for:			
Nonexpendable permanent funds	803,189	-	803,189
Expendable permanent funds	2,312,122	-	2,312,122
Federal and state grants	10,531,228	-	10,531,228
Capital projects	10,730,103	-	10,730,103
Community development loans	4,350,999	-	4,350,999
Internal services	16,448,823	-	16,448,823
Other purposes	17,959,257	-	17,959,257
Unrestricted	<u>(899,699,475)</u>	<u>(21,618,903)</u>	<u>(921,318,378)</u>
Total Net Position	<u>\$ (413,161,168)</u>	<u>\$ 86,963,798</u>	<u>\$ (326,197,370)</u>

(concluded)

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 14,702,606	\$ 4,254,263	\$ 6,990,879	\$ -	\$ (3,457,464)		\$ (3,457,464)
Public safety	85,114,278	8,657,650	3,324,299	32,893	(73,099,436)		(73,099,436)
Education	289,920,840	1,232,176	202,919,281	58,738,670	(27,030,713)		(27,030,713)
Public works	28,470,605	1,045,824	164,898	3,727,157	(23,532,726)		(23,532,726)
Health and human services	6,954,029	64,312	6,161,098	-	(728,619)		(728,619)
Culture and recreation	2,398,846	6,714	127,888	17,500	(2,246,744)		(2,246,744)
Community development	8,735,886	616,364	6,383,610	-	(1,735,912)		(1,735,912)
Interest expense	5,111,870	-	-	-	(5,111,870)		(5,111,870)
Total Governmental Activities	441,408,960	15,877,303	226,071,953	62,516,220	(136,943,484)		(136,943,484)
Business-Type Activities:							
Sewer	23,398,813	24,442,361	1,248,187	2,679,081		\$ 4,970,816	4,970,816
Water	11,727,527	13,470,342	124,166	1,170,835		3,037,816	3,037,816
EMS	8,984,801	8,826,109	-	-		(158,692)	(158,692)
Total Business-Type Activities	44,111,141	46,738,812	1,372,353	3,849,916		7,849,940	7,849,940
Total Primary Government	\$ 485,520,101	\$ 62,616,115	\$ 227,444,306	\$ 66,366,136		7,849,940	(129,093,544)
General Revenues:							
Property taxes					112,254,265	-	112,254,265
Motor vehicle and other excise taxes					11,637,539	-	11,637,539
Grants and contributions not restricted to specific programs					25,646,902	-	25,646,902
Penalties and interest on taxes					1,009,634	-	1,009,634
Unrestricted investment income					669,415	6,628	676,043
Other income					111,466	-	111,466
Transfers, net					(54,900)	54,900	-
Total General Revenues and Transfers					151,274,321	61,528	151,335,849
Change in Net Position					14,330,837	7,911,468	22,242,305
Net Position:							
Beginning of year (as restated; refer to Note V)					(427,492,005)	79,052,330	(348,439,675)
End of year					\$ (413,161,168)	\$ 86,963,798	\$ (326,197,370)

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Durfee High School Construction	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Assets:						
Cash and cash equivalents	\$ 27,946,755	\$ 18,542,213	\$ 11,400,394	\$ 34,799,571	\$ 7,136,607	\$ 99,825,540
Investments	1,124,823	-	-	-	4,514,016	5,638,839
Receivables, net of allowances:						
Property taxes	6,032,884	-	-	-	55,153	6,088,037
Excise taxes	2,001,152	-	-	-	-	2,001,152
Departmental, user charges and other	3,789,504	-	-	-	5,409,539	9,199,043
Intergovernmental	1,735,482	6,015,071	50,392	-	13,928,682	21,729,627
Prepaid items	485,000	-	-	-	-	485,000
Total Assets	43,115,600	24,557,284	11,450,786	34,799,571	31,043,997	144,967,238
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 43,115,600	\$ 24,557,284	\$ 11,450,786	\$ 34,799,571	\$ 31,043,997	\$ 144,967,238
Liabilities:						
Warrants and accounts payable	\$ 6,291,476	\$ 6,679,108	\$ 490,185	\$ -	\$ 2,934,449	\$ 16,395,218
Accrued payroll and withholdings	2,900,274	-	-	-	509,685	3,409,959
Retainage payable	-	9,206,835	115,547	-	-	9,322,382
Other liabilities	335,008	-	-	-	-	335,008
Unearned revenues	-	-	-	34,799,571	1,789,114	36,588,685
Bond anticipation notes payable	-	-	8,786,292	-	-	8,786,292
Total Liabilities	9,526,758	15,885,943	9,392,024	34,799,571	5,233,248	74,837,544
Deferred Inflows of Resources:						
Prepaid property taxes	71,847	-	-	-	542	72,389
Unavailable revenues - property taxes	5,184,295	-	-	-	55,153	5,239,448
Unavailable revenues - other	5,526,358	-	-	-	4,350,999	9,877,357
Total Deferred Inflows of Resources	10,782,500	-	-	-	4,406,694	15,189,194
Fund Balances:						
Nonspendable	485,000	-	-	-	803,189	1,288,189
Restricted	-	8,671,341	5,544,361	-	24,122,534	38,338,236
Assigned	6,680,072	-	-	-	-	6,680,072
Unassigned	15,641,270	-	(3,485,599)	-	(3,521,668)	8,634,003
Total Fund Balances	22,806,342	8,671,341	2,058,762	-	21,404,055	54,940,500
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 43,115,600	\$ 24,557,284	\$ 11,450,786	\$ 34,799,571	\$ 31,043,997	\$ 144,967,238

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2021**

Total Governmental Fund Balances		\$ 54,940,500
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		570,743,021
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		15,116,805
Assets, liabilities, deferred outflows/inflows of resources and net position of internal service funds established to administer insurance costs are included in the statement of net position. These amounts are not presented in the governmental funds.		16,448,823
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - loss on refunding	1,038,542	
Deferred outflows of resources - other postemployment benefits	93,191,976	
Deferred outflows of resources - pensions	21,456,560	
Deferred inflows of resources - other postemployment benefits	(7,442,314)	
Deferred inflows of resources - pensions	<u>(16,900,061)</u>	
Net effect of reporting deferred outflows and inflows of resources		91,344,703
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(1,939,629)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(653,229,951)	
Net pension liability	(321,442,930)	
Compensated absences	(16,668,899)	
Workers' compensation claims	(865,787)	
Bonds and notes payable	<u>(167,607,824)</u>	
Net effect of reporting long-term liabilities		<u>(1,159,815,391)</u>
Net Position — Governmental Activities		<u>\$ (413,161,168)</u>

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Durfee High School Construction	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 111,330,462	\$ -	\$ -	\$ 1,169,056	\$ 112,499,518
Intergovernmental	203,944,636	50,478,369	6,634,419	52,106,493	313,163,917
Motor vehicle and other excise taxes	11,757,097	-	-	-	11,757,097
Licenses and permits	2,601,967	-	-	-	2,601,967
Penalties and interest on taxes	1,009,634	-	-	-	1,009,634
Fines and forfeitures	1,619,843	-	-	-	1,619,843
Departmental and other revenues	5,296,044	-	111,466	6,119,736	11,527,246
Contributions and donations	-	-	-	1,284,602	1,284,602
Investment income	377,853	-	-	261,524	639,377
Total Revenues	337,937,536	50,478,369	6,745,885	60,941,411	456,103,201
Expenditures:					
Current:					
General government	5,056,274	-	190,453	2,476,917	7,723,644
Public safety	38,212,718	-	474,416	12,252,788	50,939,922
Education	158,980,240	104,764,930	10,164,310	27,959,721	301,869,201
Public works	17,376,806	-	887,310	3,759,496	22,023,612
Health and human services	2,227,191	-	-	4,023,105	6,250,296
Culture and recreation	1,127,026	-	385,345	75,037	1,587,408
Community development	-	-	-	7,887,278	7,887,278
Pension and fringe benefits	67,121,883	-	-	1,233,033	68,354,916
State and county charges	28,191,371	-	-	-	28,191,371
Debt service:					
Principal	6,719,328	-	-	263,000	6,982,328
Interest	5,705,020	-	-	131,564	5,836,584
Total Expenditures	330,717,857	104,764,930	12,101,834	60,061,939	507,646,560
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,219,679	(54,286,561)	(5,355,949)	879,472	(51,543,359)
Other Financing Sources (Uses):					
Proceeds from issuance of long-term debt	-	30,392,438	9,408,244	-	39,800,682
Premiums from issuance of short and long-term debt	-	2,389,970	1,326,398	-	3,716,368
Transfers in	141,876	-	1,279,767	233,092	1,654,735
Transfers out	(1,041,501)	-	-	(668,134)	(1,709,635)
Total Other Financing Sources (Uses)	(899,625)	32,782,408	12,014,409	(435,042)	43,462,150
Change in Fund Balances	6,320,054	(21,504,153)	6,658,460	444,430	(8,081,209)
Fund Balances:					
Beginning of the year (as restated; refer to Note V)	16,486,288	30,175,494	(4,599,698)	20,959,625	63,021,709
End of the year	\$ 22,806,342	\$ 8,671,341	\$ 2,058,762	\$ 21,404,055	\$ 54,940,500

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Change in Fund Balances — Total Governmental Funds \$ (8,081,209)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	121,035,286	
Depreciation expense	<u>(16,035,671)</u>	
Net effect of reporting capital activity		104,999,615

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (338,541)

Internal service funds established to administer insurance costs are included in the statement of activities. These activities are not presented in the governmental funds. 3,639,480

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of long-term debt	(43,517,050)	
Repayments of long-term debt	6,982,328	
Amortization of deferred loss on refunding	(143,248)	
Amortization of bond premiums	<u>902,010</u>	
Net effect of reporting long-term debt activity		(35,775,960)

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	(47,175,439)	
Net pension liability	(2,125,111)	
Compensated absences	(454,612)	
Workers' compensation claims	(323,338)	
Accrued interest	<u>(34,048)</u>	
Net effect of reporting long-term liabilities		<u>(50,112,548)</u>

Change in Net Position — Governmental Activities \$ 14,330,837

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>EMS</u>	<u>Total</u>	<u>Internal Service Fund</u>
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 6,698,983	\$ 7,264,938	\$ 3,441,370	\$ 17,405,291	\$ 14,898,344
Receivables, net of allowances:					
User charges and other	4,668,214	5,292,946	1,381,670	11,342,830	568,945
Intergovernmental	7,048,379	740,240	-	7,788,619	-
Working capital deposit	-	-	-	-	6,684,800
Inventories	280,570	268,302	-	548,872	-
Total Current Assets	<u>18,696,146</u>	<u>13,566,426</u>	<u>4,823,040</u>	<u>37,085,612</u>	<u>22,152,089</u>
Noncurrent Assets:					
Intergovernmental receivables	7,069,367	102,608	-	7,171,975	-
Land	933,026	5,929,143	-	6,862,169	-
Construction in-progress	48,612,898	-	-	48,612,898	-
Depreciable capital assets, net	<u>167,707,480</u>	<u>82,714,822</u>	<u>1,059,329</u>	<u>251,481,631</u>	<u>-</u>
Total Noncurrent Assets	<u>224,322,771</u>	<u>88,746,573</u>	<u>1,059,329</u>	<u>314,128,673</u>	<u>-</u>
Total Assets	<u>243,018,917</u>	<u>102,312,999</u>	<u>5,882,369</u>	<u>351,214,285</u>	<u>22,152,089</u>
Deferred Outflows of Resources:					
Loss on refunding	27,641	-	-	27,641	-
Other postemployment benefits	159,662	1,412,425	511,824	2,083,911	-
Pensions	<u>115,358</u>	<u>530,646</u>	<u>969,006</u>	<u>1,615,010</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>302,661</u>	<u>1,943,071</u>	<u>1,480,830</u>	<u>3,726,562</u>	<u>-</u>

(continued)

CITY OF FALL RIVER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>EMS</u>	<u>Total</u>	<u>Internal Service Fund</u>
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	2,750,090	416,325	57,517	3,223,932	3,197,886
Accrued payroll and withholdings	15,630	80,629	195,482	291,741	-
Health claims incurred but not reported	-	-	-	-	2,505,380
Retainage payable	1,238,671	-	-	1,238,671	-
Accrued interest	1,344,596	511,273	-	1,855,869	-
Unearned revenues	3,808,100	-	-	3,808,100	-
Compensated absences	23,827	74,178	94,623	192,628	-
Short-term notes payable	8,383,321	4,812,040	-	13,195,361	-
Current portion of long-term debt	8,087,169	4,466,141	144,103	12,697,413	-
Total Current Liabilities	<u>25,651,404</u>	<u>10,360,586</u>	<u>491,725</u>	<u>36,503,715</u>	<u>5,703,266</u>
Noncurrent liabilities:					
Compensated absences	95,310	296,712	378,491	770,513	-
Net other postemployment benefits liability	1,119,156	9,900,407	3,587,638	14,607,201	-
Net pension liability	1,728,188	7,949,664	14,516,777	24,194,629	-
Long-term debt	140,312,721	50,000,323	149,479	190,462,523	-
Total Noncurrent Liabilities	<u>143,255,375</u>	<u>68,147,106</u>	<u>18,632,385</u>	<u>230,034,866</u>	<u>-</u>
Total Liabilities	<u>168,906,779</u>	<u>78,507,692</u>	<u>19,124,110</u>	<u>266,538,581</u>	<u>5,703,266</u>
Deferred Inflows of Resources:					
Other postemployment benefits	12,751	112,796	40,874	166,421	-
Pensions	90,860	417,958	763,229	1,272,047	-
Total Deferred Inflows of Resources	<u>103,611</u>	<u>530,754</u>	<u>804,103</u>	<u>1,438,468</u>	<u>-</u>
Net Position:					
Net investment in capital assets	75,359,496	32,457,458	765,747	108,582,701	-
Unrestricted	(1,048,308)	(7,239,834)	(13,330,761)	(21,618,903)	16,448,823
Total Net Position	<u>\$ 74,311,188</u>	<u>\$ 25,217,624</u>	<u>\$ (12,565,014)</u>	<u>\$ 86,963,798</u>	<u>\$ 16,448,823</u>

(concluded)

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities				Governmental Activities
	Sewer	Water	EMS	Total	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 24,442,361	\$ 13,470,342	\$ 8,826,109	\$ 46,738,812	\$ -
Employer contributions	-	-	-	-	39,271,283
Employee contributions	-	-	-	-	14,826,413
Reinsurance settlements and other	-	-	-	-	4,595,453
Total Operating Revenues	<u>24,442,361</u>	<u>13,470,342</u>	<u>8,826,109</u>	<u>46,738,812</u>	<u>58,693,149</u>
Operating Expenses:					
Payroll and personnel costs	511,623	4,490,442	6,386,812	11,388,877	-
Operating costs	13,305,966	3,511,973	2,139,669	18,957,608	-
Depreciation	5,288,808	2,191,909	442,188	7,922,905	-
Employee benefits	-	-	-	-	55,083,707
Total Operating Expenses	<u>19,106,397</u>	<u>10,194,324</u>	<u>8,968,669</u>	<u>38,269,390</u>	<u>55,083,707</u>
Operating Income (Loss)	<u>5,335,964</u>	<u>3,276,018</u>	<u>(142,560)</u>	<u>8,469,422</u>	<u>3,609,442</u>
Nonoperating Revenues (Expenses):					
Intergovernmental	1,248,187	124,166	-	1,372,353	-
Investment income	1,193	1,000	4,435	6,628	30,038
Interest expenses	<u>(4,292,416)</u>	<u>(1,533,203)</u>	<u>(16,132)</u>	<u>(5,841,751)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(3,043,036)</u>	<u>(1,408,037)</u>	<u>(11,697)</u>	<u>(4,462,770)</u>	<u>30,038</u>
Income (Loss) Before Capital Contributions	<u>2,292,928</u>	<u>1,867,981</u>	<u>(154,257)</u>	<u>4,006,652</u>	<u>3,639,480</u>
Capital Contributions and Transfers:					
Intergovernmental capital contributions	2,679,081	1,170,835	-	3,849,916	-
Transfers in	-	54,900	-	54,900	-
Total Capital Contributions	<u>2,679,081</u>	<u>1,225,735</u>	<u>-</u>	<u>3,904,816</u>	<u>-</u>
Change in Net Position	4,972,009	3,093,716	(154,257)	7,911,468	3,639,480
Net Position:					
Beginning of the year (as restated; refer to Note V)	<u>69,339,179</u>	<u>22,123,908</u>	<u>(12,410,757)</u>	<u>79,052,330</u>	<u>\$ 12,809,343</u>
End of the year	<u>\$ 74,311,188</u>	<u>\$ 25,217,624</u>	<u>\$ (12,565,014)</u>	<u>\$ 86,963,798</u>	<u>\$ 16,448,823</u>

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities				Governmental Activities
	Sewer	Water	EMS	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Receipts from user charges	\$ 24,739,588	\$ 14,038,979	\$ 10,155,140	\$ 48,933,707	\$ -
Employee contributions	-	-	-	-	39,271,283
Employer contributions	-	-	-	-	14,826,413
Reinsurance settlements and other	-	-	-	-	5,035,060
Payments to employees	(433,576)	(4,209,437)	(5,853,949)	(10,496,962)	-
Payments to vendors	(11,807,341)	(3,369,900)	(2,171,041)	(17,348,282)	-
Payments for internal services used	-	-	-	-	(54,374,831)
Net Cash Provided By Operating Activities	<u>12,498,671</u>	<u>6,459,642</u>	<u>2,130,150</u>	<u>21,088,463</u>	<u>4,757,925</u>
Cash Flows from Noncapital Financial Activities:					
Proceeds from operating grants	<u>1,248,187</u>	<u>124,166</u>	<u>-</u>	<u>1,372,353</u>	<u>-</u>
Net Cash Provided By Noncapital Financing Activities	<u>1,248,187</u>	<u>179,066</u>	<u>-</u>	<u>1,427,253</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from capital grants	(3,656,450)	551,629	-	(3,104,821)	-
Proceeds from the issuance of long-term debt	34,613,484	8,363,999	-	42,977,483	-
Proceeds from the issuance of short-term debt	8,383,321	4,812,040	-	13,195,361	-
Premiums received on debt issuances	588,287	306,578	-	894,865	-
Acquisition and construction of capital assets	(20,234,283)	(3,300,123)	-	(23,534,406)	-
Principal repayments on long-term debt	(7,287,429)	(4,450,080)	(138,921)	(11,876,430)	-
Repayments on short-term debt	(19,014,843)	(9,117,615)	-	(28,132,458)	-
Interest payments	(4,197,638)	(1,534,185)	(16,132)	(5,747,955)	-
Net Cash Used In Capital and Related Financing Activities	<u>(10,805,551)</u>	<u>(4,367,757)</u>	<u>(155,053)</u>	<u>(15,328,361)</u>	<u>-</u>
Cash Flow from Investing Activities:					
Investment income	<u>1,193</u>	<u>1,000</u>	<u>4,435</u>	<u>6,628</u>	<u>30,038</u>
Net Cash Provided By Investing Activities	<u>1,193</u>	<u>1,000</u>	<u>4,435</u>	<u>6,628</u>	<u>30,038</u>
Change in Cash and Cash Equivalents	2,942,500	2,271,951	1,979,532	7,193,983	4,787,963
Cash and Cash Equivalents:					
Beginning of the year	<u>3,756,483</u>	<u>4,992,987</u>	<u>1,461,838</u>	<u>10,211,308</u>	<u>10,110,381</u>
End of the year	<u>\$ 6,698,983</u>	<u>\$ 7,264,938</u>	<u>\$ 3,441,370</u>	<u>\$ 17,405,291</u>	<u>\$ 14,898,344</u>

(continued)

CITY OF FALL RIVER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>EMS</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Operating Income (Loss)	\$ 5,335,964	\$ 3,276,018	\$ (142,560)	\$ 8,469,422	\$ 3,609,442
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation expense	5,288,808	2,191,909	442,188	7,922,905	-
Changes in assets, deferred outflows (inflows) of resources and liabilities:					
Receivables and other current assets	353,455	597,050	1,329,031	2,279,536	39,607
Warrants payable and other current liabilities	1,448,162	121,946	15,067	1,585,175	862,421
Accrued and deferred benefits payable	<u>72,282</u>	<u>272,719</u>	<u>486,424</u>	<u>831,425</u>	<u>246,455</u>
Net Cash Provided By Operating Activities	<u>\$ 12,498,671</u>	<u>\$ 6,459,642</u>	<u>\$ 2,130,150</u>	<u>\$ 21,088,463</u>	<u>\$ 4,757,925</u>
					<i>(concluded)</i>

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds (a)	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 16,231,989	\$ 9,335
Investments at fair value:		
Fixed income securities	-	50,121
Equity securities	-	8,795
Mutual funds	-	5,360
PRIT	308,549,080	-
Other investments	737,597	-
Receivables:		
Contributions	11,177,204	-
Other	45,033	-
Total Assets	<u>336,740,903</u>	<u>73,611</u>
Liabilities:		
Warrants and accounts payable	<u>7,468</u>	<u>-</u>
Total Liabilities	<u>7,468</u>	<u>-</u>
Net Position:		
Restricted for pensions	335,966,320	-
Restricted for other postemployment benefits	767,115	-
Held in trust for private purposes	<u>-</u>	<u>73,611</u>
Total Net Position	<u>\$ 336,733,435</u>	<u>\$ 73,611</u>

(a) Refer to Note III.

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds (a)	Private Purpose Trust Funds
Additions:		
Employer contributions	\$ 52,065,200	\$ -
Employee contributions	8,201,024	-
Other contributions	1,726,825	-
Total contributions	61,993,049	-
Investment income:		
Interest and dividends	6,406,998	2,136
Net appreciation in fair value of investments	29,210,694	-
Less investment management fees	(1,388,502)	-
Total net investment income	34,229,190	2,136
Other income	31,465	-
Total Additions	96,253,704	2,136
Deductions:		
Benefits and refunds to Plan members:		
Benefits to retirees and survivors	59,215,768	-
Member refunds	652,367	-
Transfers and reimbursements to other systems	3,103,562	-
Administrative expenses:		
Operations payroll and related personnel costs	412,699	-
Other administrative expenses	205,307	-
Total Deductions	63,589,703	-
Change in Net Position	32,664,001	2,136
Net Position:		
Beginning of the year	304,069,434	71,475
End of the year	\$ 336,733,435	\$ 73,611

(a) Refer to Note III.

See accompanying notes to basic financial statements.

CITY OF FALL RIVER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the City of Fall River (the “City”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the City.

A. Reporting Entity

The City is located in Bristol County, approximately fifty-three miles south of Boston and seventeen miles southeast from Providence, Rhode Island. The City was incorporated as a town in 1803 and as a city in 1854. The City is governed by an elected Mayor, an appointed City Administrator and a nine-member elected City Council. The City provides governmental services for the territory within its boundaries, including police, ambulance and fire protection, garbage disposal, public education in grades kindergarten to twelve, sewer and water services, street maintenance, community development, a public library, veteran services parks and recreational facilities. The sewer, water and emergency medical services (“EMS”) are principally self-funded through user charges.

The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

Fall River Contributory Retirement System – The Fall River Contributory Retirement System (the “Retirement System”) was established to provide retirement benefits to City employees and the employees of three other related entities. While legally separate, the Retirement System provides services almost entirely to the City. The Retirement System is reported as a pension trust fund in the fiduciary fund financial statements. The audited annual financial statements of the Retirement System at December 31, 2020 are available at the Retirement Office, 21 Father DeValles Boulevard, Suite GR101, Fall River, Massachusetts 02723.

Fall River Redevelopment Authority – The Fall River Redevelopment Authority qualifies as a discretely presented component unit because of its financial relationship to the City. However, the financial statements of the Fall River Redevelopment Authority were not available for inclusion in these basic financial statements. Accordingly, the City’s audit opinion has been modified to reflect this GAAP departure.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of material interfund activity has been removed from these statements. Governmental activities, which are principally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and presented in a single column. Internal service funds and fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The City applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The City considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Durfee High School Construction – is used to account for financial resources that are restricted to capital expenditures for the construction of this new high school.

Capital Projects – are used to account for financial resources that are restricted to expenditures for general capital outlays.

ARPA Fund – was established as a major fund in fiscal year 2021 and is used to account for the City’s expenditure of the American Rescue Plan Act of 2021. The City was awarded approximately \$87.0 million in ARPA funds, which under current federal law must be obligated before December 31, 2024 and fully expended by December 31, 2026.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The City reports its special revenue funds, which are used to account for the proceeds of specific revenue sources restricted/committed for specified purposes other than debt service or capital projects, and permanent funds, which are used to account for financial resources that are restricted to the extent that only interest (not principal) may be used for purposes that support the governmental programs, in the nonmajor governmental funds

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, noncapitalizable expenses, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports its sewer, water and EMS activities as proprietary funds. Additionally, the internal service fund, which is used to account for the City's self-insured health insurance activities, is reported as a proprietary fund.

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

The City reports the following fiduciary funds:

Pension and Other Employee Benefits Trust Funds – is used to account for the activities of the Retirement System, which accumulates resources for pension benefits to retired City employees, and to accumulate funds for future payments of other postemployment benefits, or OPEB, for retirees such as health and life insurance.

Private Purpose Trust Funds – is used to account for trust arrangements under which the principal in income benefit individuals, private organizations or other governments. This fund is used primarily for scholarships and other charitable purposes.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City reports its investments at fair value. When actively quoted observable prices are not available, the City generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the City's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes as well as sewer and water usage fees are secured through a lien process within sixty days after the due date and are generally considered 100% collectible. Accordingly, any allowance for uncollectible balances for these receivables is not expected to be significant. All personal property tax, excise tax, user fees and other departmental receivables are shown net of an allowance for uncollectible accounts.

Loans receivable are principally comprised of funds advanced to residents, developers and certain qualified community housing development organizations for the purpose of rehabilitating properties. The City received these funds from the U.S. Department of Housing and Urban Development under community development block grants and other programs for the City. The City secures these promissory notes with a lien; however, these liens are subordinated to other liens such as bank mortgages. Additionally, there are many loan forgiveness covenants within the individual loans. As a result, the City has experienced losses related to these loans. The City recorded an allowance for uncollectible accounts of approximately \$15.7 million at June 30, 2021 relative to these loans receivable.

The City has entered into loan agreements with the Massachusetts Clean Water Trust (“MCWT”), whereby it expects to be subsidized by the MCWT in future years for debt service costs relative to its sewer and water business-type activities until the maturity of these loan agreements. The City is legally obligated for the total amount of the debt; therefore, portions of future debt service subsidies have been recorded as intergovernmental receivables in the accompanying basic financial statements under the sewer and water business-type activities.

Inventories and Prepaid Items – Inventories, which are not material to the City’s governmental activities, are considered expenditures at the time of purchase. Inventories of the sewer and water enterprise funds are reported at the lower of cost or market and are accounted for on the first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, construction in-progress, buildings and improvements, machinery and equipment, vehicles, software and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs over \$10,000 are capitalized at the date of acquisition or construction, respectively, if expected lives are deemed greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction in-progress) are depreciated by the City on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Vehicles, machinery and equipment	5 to 10 years
Infrastructure	50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

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 state law. Investment income of the proprietary funds may be voluntarily assigned to the general fund.

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Unearned Revenues – Amounts collected in advance from federal and state grants and sewer user charges are reported as unearned revenues.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – 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 reports deferred outflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions. The City expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next five years.

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 (revenues) until that time. The City reports deferred inflows of resources in its government-wide financial statements relative to prepaid taxes, other postemployment and pension-related transactions and expects to recognize these amounts over the next five years. The City reports unavailable revenues and prepaid taxes as deferred inflows of resources in its governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the City is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the City Council through City Council Orders, which represent the most binding constraint that give rise to committed fund balance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (through City Council Orders) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

Net Position – In the government-wide financial statements, net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for the following:

Nonexpendable permanent funds represent the amounts held in trust for which cannot be expended and are permanently restricted by various trust agreements.

Expendable permanent funds represent the expendable portion of permanent funds, which is restricted based on the individual trust/donor agreements.

Federal and state grants represent assets that have restrictions placed on them from federal and state *granting* agencies.

Capital projects represents amounts restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Community development loans represents the value of community development loans, net of allowances for uncollectible loans.

Internal services represent assets restricted for employee health benefits.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits 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 trust funds are held separately from those of other funds.

State laws and regulations require the City to invest funds only in preapproved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and the State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the City did not enter into any repurchase agreements.

City (excludes the Retirement System)

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2021, approximately \$9.8 million of the City's bank deposits were not insured by the Federal Depository Insurance Corporation or other forms of depository insurance and/or collateralization and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the City may not be able to recover the full amount of its principal investment and/or investment earnings. The City does not have a formal investment policy related to custodial credit risk. All of the City's investments are registered in its name and cannot be pledged or assigned. As a result, the City is not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the City's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 906,978	\$ 906,978	\$ -	\$ -
U.S. Government agency notes	419,007	-	419,007	-
Corporate bonds	2,850,738	-	2,850,738	-
Total debt securities	4,176,723	906,978	3,269,745	-
Equity securities	732,895	732,895		
Mutual funds	793,497	-	793,497	-
Total investments by fair value level	\$ 5,703,115	\$ 1,639,873	\$ 4,063,242	\$ -

Concentration of Credit Risk: Investments – The City does not place a limit on the amount that may be invested in any one issuer. At June 30, 2021, no individual investment exceeded 5% of the City’s investment balance.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The City does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the City mitigates interest rate risk by managing the duration of its investments.

At June 30, 2021, the City had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government obligations and notes	\$ 1,325,985	\$ 626,461	\$ 699,524	\$ -
Corporate bonds	<u>2,850,738</u>	<u>579,664</u>	<u>2,271,074</u>	<u>-</u>
Total investments with maturities	<u>4,176,723</u>	<u>\$ 1,206,125</u>	<u>\$ 2,970,598</u>	<u>\$ -</u>
Other investments:				
Equity securities	732,895			
Mutual funds	<u>793,497</u>			
Total City investments	<u>\$ 5,703,115</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has not adopted a formal policy related to credit risk. The following table summarizes the credit ratings assigned by Moody’s Investors Service for City investments in fixed income securities at June 30, 2021:

Moody's Rating	U.S. Government Obligations	Corporate Bonds
Aaa	\$ 1,325,985	\$ -
A2	-	713,954
A3	-	300,968
Baa1	-	1,143,969
Baa2	-	691,847
	\$ 1,325,985	\$ 2,850,738

Retirement System (as of December 31, 2020)

Chapter 32 of Massachusetts General Laws (“MGL”) and the Public Employee Retirement Administration Commission (“PERAC”) regulations require the Retirement System to invest its funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds, equities and investment pools.

Nearly all (over 99%) of the Retirement System’s investments are invested with the State Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The specific investment held by the System is the PRIT General Allocation Fund, which consists of a diverse set of investments that includes domestic and international equities and fixed income securities, private debt, private equity, venture, timber and real estate investments. The determination of the fair value of these investments is subjective and the period-end values are reported to the Retirement System as NAV. Investments in the PRIT General Allocation Fund are more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The Retirement System may liquidate its investment in the PRIT General Allocation Fund at any time with less than thirty days’ notice. Distributions from the PRIT Absolute Fund are received regularly monthly and may be deposited into an accompanying short-term cash investment account.

At December 31, 2020, the Retirement System maintained an investment in a private equity fund, whose primary investment objective is to invest in North American limited partnerships. The fair value of this investment is measured using the NAV (or its equivalent) of the Retirement System’s ownership in the partners’ capital. The System is unable to liquidate this investment on its own. However, this fund is currently being liquidated by the investment manager, which is a multi-year process.

<u>Investments Measured at NAV By Asset Class</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>
PRIT funds	\$ 308,549,080	\$ -
Private equity fund	737,597	1,088,549

B. Receivables

Receivables as of June 30, 2021 for the City’s major governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Personal property taxes	\$ 253,485	\$ (81,000)	\$ 172,485
Real estate taxes	959,690	-	959,690
Tax liens	4,955,862	-	4,955,862
Excise taxes	4,028,152	(2,027,000)	2,001,152
Loans	20,083,188	(15,732,189)	4,350,999
Departmental and other	7,828,044	(2,980,000)	4,848,044
Intergovernmental	<u>21,729,627</u>	<u>-</u>	<u>21,729,627</u>
	<u>\$ 59,838,048</u>	<u>\$ (20,820,189)</u>	<u>\$ 39,017,859</u>

Receivables as of June 30, 2021 for the City's proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer usage	\$ 4,718,214	\$ (50,000)	\$ 4,668,214
Water usage	5,442,946	(150,000)	5,292,946
Ambulance charges	1,865,015	(483,345)	1,381,670
Intergovernmental	14,960,594	-	14,960,594
	<u>\$ 26,986,769</u>	<u>\$ (683,345)</u>	<u>\$ 26,303,424</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 270,321	\$ 55,153	\$ 325,474
Tax liens	4,913,974	-	4,913,974
Excise taxes	2,001,152	-	2,001,152
Loans	-	4,350,999	4,350,999
Departmental and other	3,525,206	-	3,525,206
	<u>\$ 10,710,653</u>	<u>\$ 4,406,152</u>	<u>\$ 15,116,805</u>

MCWT Subsidies Receivable – The MCWT subsidies receivable in the sewer and water enterprise funds are expected to be received as follows:

Year Ended June 30,	Sewer			Water		
	Principal Subsidy	Interest Subsidy	Total Subsidy	Principal Subsidy	Interest Subsidy	Total Subsidy
2022	\$ 369,668	\$ 1,186,620	\$ 1,556,288	\$ 61,913	\$ 105,926	\$ 167,839
2023	612,922	981,838	1,594,760	70,681	70,779	141,460
2024	622,885	884,549	1,507,434	13,751	35,796	49,547
202	547,291	909,772	1,457,063	18,176	-	18,176
202	507,634	872,354	1,379,988	-	-	-
202 - 203	3,177,157	2,549,259	5,726,416	-	-	-
203 - 2034	1,601,478	228,141	1,829,619	-	-	-
	<u>\$ 7,439,035</u>	<u>\$ 7,612,533</u>	<u>\$ 15,051,568</u>	<u>\$ 164,521</u>	<u>\$ 212,501</u>	<u>\$ 377,022</u>

The City records the principal subsidies receivable as intergovernmental receivables in its sewer and water enterprises. Interest subsidies are recognized in the year in which the subsidy is received.

MCWT Interim Loans – The City records receivables due from the MCWT in its sewer and water activities as part of the MCWT’s interim loan processes. At June 30, 2021, \$6,678,711 and \$678,327 was recorded in the sewer and water activities, respectively.

School Building Assistance Reimbursement – In 2018, the City executed a school construction agreement with the MSBA related to the City’s construction of a new high school. Under the terms of this agreement, the City is eligible for reimbursements of approximately 80% of eligible school construction costs up to a maximum reimbursement of approximately \$165.2 million. The City received approximately \$44.5 million in reimbursements from the MSBA in fiscal year 2021 and recorded an additional \$6.0 million in receivables at June 30, 2021 related to this agreement. These amounts are reported in the City’s Durfee High School construction fund.

C. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,393,900	\$ -	\$ -	\$ 19,393,900
Construction in-progress	129,320,307	114,729,601	-	244,049,908
Total capital assets not being depreciated	148,714,207	114,729,601	-	263,443,808
Capital assets being depreciated:				
Buildings and improvements	436,210,506	653,174	-	436,863,680
Infrastructure	91,579,523	2,674,629	-	94,254,152
Machinery and equipment	74,902,979	2,603,905	-	77,506,884
Vehicles and boats	15,024,592	373,977	-	15,398,569
Total capital assets being depreciated	617,717,600	6,305,685	-	624,023,285
Less accumulated depreciation for:				
Buildings and improvements	(200,846,480)	(10,572,709)	-	(211,419,189)
Infrastructure	(21,764,302)	(2,653,178)	-	(24,417,480)
Machinery and equipment	(64,461,613)	(2,175,278)	-	(66,636,891)
Vehicles and boats	(13,616,006)	(634,506)	-	(14,250,512)
Total accumulated depreciation	(300,688,401)	(16,035,671)	-	(316,724,072)
Total capital assets being depreciated, net	317,029,199	(9,729,986)	-	307,299,213
Total governmental activities capital assets, net	\$ 465,743,406	\$ 104,999,615	\$ -	\$ 570,743,021

Depreciation expense was charged to functions/programs within the City’s governmental activities as follows in fiscal year 2021:

General government	\$ 165,167
Public safety	1,580,175
Education	8,214,831
Public works	5,260,299
Culture and recreation	565,805
Community development	249,394
	<u>\$ 16,035,671</u>

<u>Business-Type Activities - Combined</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,862,169	\$ -	\$ -	\$ 6,862,169
Construction in-progress	<u>29,856,073</u>	<u>18,756,825</u>	<u>-</u>	<u>48,612,898</u>
Total capital assets not being depreciated	<u>36,718,242</u>	<u>18,756,825</u>	<u>-</u>	<u>55,475,067</u>
Capital assets being depreciated:				
Buildings and improvements	2,527,449	-	-	2,527,449
Infrastructure	366,571,893	4,701,765	-	371,273,658
Machinery and equipment	3,715,546	75,816	-	3,791,362
Vehicles	<u>5,800,949</u>	<u>-</u>	<u>-</u>	<u>5,800,949</u>
Total capital assets being depreciated	<u>378,615,837</u>	<u>4,777,581</u>	<u>-</u>	<u>383,393,418</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,514,578)	(1,208)	-	(2,515,786)
Infrastructure	(114,330,162)	(7,209,212)	-	(121,539,374)
Machinery and equipment	(3,080,926)	(246,030)	-	(3,326,956)
Vehicles and boats	<u>(4,063,216)</u>	<u>(466,455)</u>	<u>-</u>	<u>(4,529,671)</u>
Total accumulated depreciation	<u>(123,988,882)</u>	<u>(7,922,905)</u>	<u>-</u>	<u>(131,911,787)</u>
Total capital assets being depreciated, net	<u>254,626,955</u>	<u>(3,145,324)</u>	<u>-</u>	<u>251,481,631</u>
Total business-type activities capital assets, net	<u>\$ 291,345,197</u>	<u>\$ 15,611,501</u>	<u>\$ -</u>	<u>\$ 306,956,698</u>
<u>Business-Type Activities: Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 933,026	\$ -	\$ -	\$ 933,026
Construction in-progress	<u>29,856,073</u>	<u>18,756,825</u>	<u>-</u>	<u>48,612,898</u>
Total capital assets not being depreciated	<u>30,789,099</u>	<u>18,756,825</u>	<u>-</u>	<u>49,545,924</u>
Capital assets being depreciated:				
Buildings and improvements	4,632	-	-	4,632
Infrastructure	258,417,803	1,477,458	-	259,895,261
Machinery and equipment	1,773,995	-	-	1,773,995
Vehicles	<u>1,481,262</u>	<u>-</u>	<u>-</u>	<u>1,481,262</u>
Total capital assets being depreciated	<u>261,677,692</u>	<u>1,477,458</u>	<u>-</u>	<u>263,155,150</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,368)	(66)	-	(4,434)
Infrastructure	(87,463,883)	(5,118,751)	-	(92,582,634)
Machinery and equipment	(1,718,845)	(24,421)	-	(1,743,266)
Vehicles	<u>(971,766)</u>	<u>(145,570)</u>	<u>-</u>	<u>(1,117,336)</u>
Total accumulated depreciation	<u>(90,158,862)</u>	<u>(5,288,808)</u>	<u>-</u>	<u>(95,447,670)</u>
Total capital assets being depreciated, net	<u>171,518,830</u>	<u>(3,811,350)</u>	<u>-</u>	<u>167,707,480</u>
Total sewer capital assets, net	<u>\$ 202,307,929</u>	<u>\$ 14,945,475</u>	<u>\$ -</u>	<u>\$ 217,253,404</u>

<u>Business-Type Activities: Water</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,929,143	\$ -	\$ -	\$ 5,929,143
Capital assets being depreciated:				
Buildings and improvements	2,522,817	-	-	2,522,817
Infrastructure	108,154,090	3,224,307	-	111,378,397
Machinery and equipment	894,571	75,816	-	970,387
Vehicles	<u>1,454,664</u>	<u>-</u>	<u>-</u>	<u>1,454,664</u>
Total capital assets being depreciated	<u>113,026,142</u>	<u>3,300,123</u>	<u>-</u>	<u>116,326,265</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,510,210)	(1,142)	-	(2,511,352)
Infrastructure	(26,866,279)	(2,090,461)	-	(28,956,740)
Machinery and equipment	(738,426)	(58,955)	-	(797,381)
Vehicles	<u>(1,304,619)</u>	<u>(41,351)</u>	<u>-</u>	<u>(1,345,970)</u>
Total accumulated depreciation	<u>(31,419,534)</u>	<u>(2,191,909)</u>	<u>-</u>	<u>(33,611,443)</u>
Total capital assets being depreciated, net	<u>81,606,608</u>	<u>1,108,214</u>	<u>-</u>	<u>82,714,822</u>
Total water capital assets, net	<u>\$ 87,535,751</u>	<u>\$ 1,108,214</u>	<u>\$ -</u>	<u>\$ 88,643,965</u>
<u>Business-Type Activities: EMS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 1,046,980	\$ -	\$ -	\$ 1,046,980
Vehicles	<u>2,865,023</u>	<u>-</u>	<u>-</u>	<u>2,865,023</u>
Total capital assets being depreciated	<u>3,912,003</u>	<u>-</u>	<u>-</u>	<u>3,912,003</u>
Less accumulated depreciation for:				
Machinery and equipment	(623,655)	(162,654)	-	(786,309)
Vehicles	<u>(1,786,831)</u>	<u>(279,534)</u>	<u>-</u>	<u>(2,066,365)</u>
Total accumulated depreciation	<u>(2,410,486)</u>	<u>(442,188)</u>	<u>-</u>	<u>(2,852,674)</u>
Total capital assets being depreciated, net	<u>1,501,517</u>	<u>(442,188)</u>	<u>-</u>	<u>1,059,329</u>
Total EMS capital assets, net	<u>\$ 1,501,517</u>	<u>\$ (442,188)</u>	<u>\$ -</u>	<u>\$ 1,059,329</u>

D. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water		
General Fund	\$ -	\$ 808,409	\$ 233,092	\$ -	\$ 1,041,501	(1)
Nonmajor Governmental Funds	141,876	471,358	-	54,900	668,134	(2)
	<u>\$ 141,876</u>	<u>\$ 1,279,767</u>	<u>\$ 233,092</u>	<u>\$ 54,900</u>	<u>\$ 1,709,635</u>	

- (1) Transfers to capital projects of \$808,409 were used to fund capital outlays; transfers to nonmajor governmental funds were used for facilities, demolition, vacant lots and to supplement federal grants for public safety purposes.
- (2) Transfers to general fund were budgeted for specific expenditures; the CPA fund transferred \$453,000 to the capital projects fund for historical and recreational purposes; the CPA fund transferred \$54,900 to a water capital project.

E. Temporary Debt

The City is authorized to borrow on a temporary or short-term basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANs”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the City and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes activity for the year ended June 30, 2021 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>						
Bond anticipation note	1.5%	matured	\$ 6,504,465	\$ -	\$ (6,504,465)	\$ -
Bond anticipation note	3.0%	matured	40,000,000	-	(40,000,000)	-
Bond anticipation note	1.6%	matured	2,100,000	-	(2,100,000)	-
Bond anticipation note	1.5%	2/4/2022	-	7,245,537	-	7,245,537
Bond anticipation note	2.0%	2/4/2022	-	1,540,755	-	1,540,755
			<u>\$ 48,604,465</u>	<u>\$ 8,786,292</u>	<u>\$ (48,604,465)</u>	<u>\$ 8,786,292</u>

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities - Sewer:</i>						
Bond anticipation note	1.5%	matured	\$ 8,240,048	\$ -	\$ (8,240,048)	\$ -
MCWT interim loans	0.0%	6/30/2022	10,774,795	2,340,351	(10,774,795)	2,340,351
Bond anticipation note	1.5%	2/4/2022	-	6,042,970	-	6,042,970
Total Sewer			<u>19,014,843</u>	<u>8,383,321</u>	<u>(19,014,843)</u>	<u>8,383,321</u>
<i>Business-Type Activities - Water:</i>						
Bond anticipation note	1.5%	matured	5,894,176	-	(5,894,176)	-
MCWT interim loans	0.0%	6/30/2022	3,223,439	749,040	(3,223,439)	749,040
Bond anticipation note	1.5%	2/4/2022	-	3,470,000	-	3,470,000
Bond anticipation note	2.0%	2/4/2022	-	593,000	-	593,000
Total Water			<u>9,117,615</u>	<u>4,812,040</u>	<u>(9,117,615)</u>	<u>4,812,040</u>
Total Business-Type Activities			<u>\$ 28,132,458</u>	<u>\$ 13,195,361</u>	<u>\$ (28,132,458)</u>	<u>\$ 13,195,361</u>

BANs issued and outstanding in the City's Durfee High School construction, aggregate combined nonmajor governmental and enterprise funds were as follows:

<u>Governmental Activities</u>	<u>Amount Outstanding</u>
School repairs	\$ 4,210,938
City streetcapes	2,450,000
Street repairs	1,000,000
Other governmental purposes	<u>1,125,354</u>
Total Governmental Activities	<u>\$ 8,786,292</u>
<u>Business-Type Activities</u>	<u>Amount Outstanding</u>
MCWT interim loans	\$ 2,340,351
Water/storm water master plan (phase 2)	3,000,000
Master plan flood control projects	2,042,970
CSO settlement	<u>1,000,000</u>
Total Sewer	<u>8,383,321</u>
MCWT interim loans	749,040
Drinking water (phases 18, 19 and 20)	3,870,000
Other water projects	<u>193,000</u>
Total Water	<u>4,812,040</u>
Total Business-Type Activities	<u>\$ 13,195,361</u>

At June 30, 2021, the City maintained five MCWT interim loans in its sewer and water activities. The authorized but undrawn remaining amounts on these five MCWT interim loans totaled \$3,113,950 at June 30, 2021.

F. Long-Term Obligations

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the City incurs various other long-term obligations relative to personnel costs.

The following reflects the fiscal year 2021 activity in the City's long-term liability accounts:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 115,658,421	\$ 39,800,682	\$ (6,371,421)	\$ 149,087,682	\$ 7,737,682
Direct borrowings and placements	7,603,160	-	(610,907)	6,992,253	610,907
Unamortized bond premiums	8,713,531	3,716,368	(902,010)	11,527,889	1,066,394
Total long-term debt	131,975,112	43,517,050	(7,884,338)	167,607,824	9,414,983
Compensated absences	16,214,287	519,646	(65,034)	16,668,899	3,333,780
Workers' compensation	542,449	697,607	(374,269)	865,787	173,157
Net OPEB liability (a)	590,420,873	169,111,664	(106,302,586)	653,229,951	-
Net pension liability	324,086,086	62,894,255	(65,537,411)	321,442,930	-
Total Governmental Activities	<u>\$ 1,063,238,807</u>	<u>\$ 276,740,222</u>	<u>\$ (180,163,638)</u>	<u>\$ 1,159,815,391</u>	<u>\$ 12,921,920</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	\$ 7,888,700	\$ 5,817,535	\$ (850,700)	\$ 12,855,535	\$ 779,535
Direct borrowings and placements	112,366,819	28,795,949	(6,326,436)	134,836,332	7,238,816
Unamortized bond premiums	230,029	513,413	(35,419)	708,023	68,818
Total long-term debt	120,485,548	35,126,897	(7,212,555)	148,399,890	8,087,169
Compensated absences	93,007	26,130	-	119,137	23,827
Net OPEB liability (a)	1,063,774	291,607	(236,225)	1,119,156	-
Net pension liability	1,742,398	338,141	(352,351)	1,728,188	-
Total Sewer	<u>123,384,727</u>	<u>35,782,775</u>	<u>(7,801,131)</u>	<u>151,366,371</u>	<u>8,110,996</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	16,437,315	3,891,783	(1,155,040)	19,174,058	1,195,792
Direct borrowings and placements	33,700,472	4,472,216	(3,236,611)	34,936,077	3,236,902
Unamortized bond premiums	108,180	265,811	(17,662)	356,329	33,447
Total long-term debt	50,245,967	8,629,810	(4,409,313)	54,466,464	4,466,141
Compensated absences	393,204	-	(22,314)	370,890	74,178
Net OPEB liability (a)	9,484,565	2,629,511	(2,213,669)	9,900,407	-
Net pension liability	8,015,032	1,555,449	(1,620,817)	7,949,664	-
Total Water	<u>68,138,768</u>	<u>12,814,770</u>	<u>(8,266,113)</u>	<u>72,687,425</u>	<u>4,540,319</u>
<i>Business-Type Activities - EMS:</i>					
Capital lease obligations	432,503	-	(138,921)	293,582	144,103
Compensated absences	469,861	3,253	-	473,114	94,623
Net OPEB liability (a)	3,097,498	1,215,039	(724,899)	3,587,638	-
Net pension liability	14,636,146	2,840,385	(2,959,754)	14,516,777	-
Total EMS	<u>18,636,008</u>	<u>4,058,677</u>	<u>(3,823,574)</u>	<u>18,871,111</u>	<u>238,726</u>
Total Business-Type Activities	<u>\$ 210,159,503</u>	<u>\$ 52,656,222</u>	<u>\$ (19,890,818)</u>	<u>\$ 242,924,907</u>	<u>\$ 12,890,041</u>

(a) As restated; refer to Note V.

The long-term liabilities of the governmental activities will be liquidated by the City's general fund. The long-term liabilities of the business-type funds will be liquidated by the individual enterprise fund reporting the long-term liabilities.

General obligation bonds and notes payable outstanding at June 30, 2021 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 6.25%	\$ 115,658,421	\$ 39,800,682	\$ (6,371,421)	\$ 149,087,682
MSBA loans	2.00%	3,131,160	-	(347,907)	2,783,253
HUD loans	1.50%	4,472,000	-	(263,000)	4,209,000
Total Governmental Activities		123,261,581	39,800,682	(6,982,328)	156,079,935
Add: unamortized bond premium		8,713,531	3,716,368	(902,010)	11,527,889
Total Governmental Activities, net		<u>\$ 131,975,112</u>	<u>\$ 43,517,050</u>	<u>\$ (7,884,338)</u>	<u>\$ 167,607,824</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.00% - 6.25%	\$ 7,888,700	\$ 5,817,535	\$ (850,700)	\$ 12,855,535
MCWT notes payable	2.00% - 5.12%	112,366,819	28,795,949	(6,326,436)	134,836,332
Total Sewer		120,255,519	34,613,484	(7,177,136)	147,691,867
Add: unamortized bond premium		230,029	513,413	(35,419)	708,023
Total Sewer, net		<u>120,485,548</u>	<u>35,126,897</u>	<u>(7,212,555)</u>	<u>148,399,890</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 6.25%	16,437,315	3,891,783	(1,155,040)	19,174,058
MCWT notes payable	2.00% - 5.02%	33,700,472	4,472,216	(3,236,611)	34,936,077
Total Water		50,137,787	8,363,999	(4,391,651)	54,110,135
Add: unamortized bond premium		108,180	265,811	(17,662)	356,329
Total Water, net		<u>50,245,967</u>	<u>8,629,810</u>	<u>(4,409,313)</u>	<u>54,466,464</u>
Total Business-Type Activities, net		<u>\$ 170,731,515</u>	<u>\$ 43,756,707</u>	<u>\$ (11,621,868)</u>	<u>\$ 202,866,354</u>

Debt service requirements on long-term debt at June 30, 2021 are as follows:

<i>Governmental Activities</i>				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 7,737,682	\$ 5,276,609	\$ 610,907	\$ 180,497
2023	7,703,000	4,530,222	610,907	166,810
2024	7,921,000	4,196,721	610,907	153,060
2025	8,058,000	3,882,965	610,906	139,150
2026	7,869,000	3,553,627	610,906	125,083
2027 - 2031	32,894,000	13,095,322	2,358,720	413,288
2032 - 2036	21,440,000	8,108,173	1,315,000	159,259
2037 - 2041	18,920,000	5,511,493	264,000	4,666
2042 - 2046	21,015,000	3,157,563	-	-
2047 - 2051	15,530,000	640,818	-	-
	<u>\$ 149,087,682</u>	<u>\$ 51,953,513</u>	<u>\$ 6,992,253</u>	<u>\$ 1,341,813</u>

Business-Type Activities - Sewer

Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 779,535	\$ 497,072	\$ 7,238,816	\$ 3,852,281
2023	861,000	403,944	7,475,660	3,689,641
2024	739,000	365,289	7,684,006	3,423,690
2025	763,000	334,049	7,899,697	3,194,967
2026	784,000	303,059	8,126,684	2,970,939
2027 - 2031	3,239,000	1,104,308	43,484,572	10,405,961
2032 - 2036	2,370,000	517,600	35,410,545	3,922,413
2037 - 2041	1,210,000	273,950	17,516,352	879,852
2042 - 2046	1,330,000	144,400	-	-
2047 - 2049	780,000	23,100	-	-
	<u>\$ 12,855,535</u>	<u>\$ 3,966,771</u>	<u>\$ 134,836,332</u>	<u>\$ 32,339,744</u>

Business-Type Activities - Water

Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,195,792	\$ 694,681	\$ 3,236,902	\$ 759,474
2023	1,234,873	603,465	3,318,178	691,265
2024	1,194,755	546,238	3,192,306	594,086
2025	1,199,655	498,382	3,261,707	507,383
2026	1,198,572	450,593	2,453,882	455,395
2027 - 2031	5,724,285	1,575,648	11,084,686	1,538,698
2032 - 2036	3,828,156	661,183	6,509,773	567,653
2037 - 2041	1,487,970	306,796	1,878,643	75,018
2042 - 2046	1,375,000	156,295	-	-
2047 - 2050	735,000	23,356	-	-
	<u>\$ 19,174,058</u>	<u>\$ 5,516,637</u>	<u>\$ 34,936,077</u>	<u>\$ 5,188,972</u>

The following represents authorized and unissued debt at June 30, 2021:

Project	Amount
High School construction project	\$ 170,285,470
Other school projects	36,926,667
Other governmental projects	23,089,171
Sewer projects	89,973,331
Water projects	9,986,116
	<u>\$ 330,260,755</u>

G. Capital Lease Obligations

The City is party to noncancellable leases for the purchase of two ambulances. For financial reporting purposes, these leases are accounted for as capital leases in the EMS enterprise fund. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

<u>Fiscal Year Ended June 30,</u>	
2022	\$ 155,053
2023	<u>155,053</u>
Total minimum lease payments	310,106
Less amount representing interest	<u>(16,524)</u>
Present value of minimum lease payments	<u>\$ 293,582</u>

The ambulances purchased under these capital leases had historical costs of \$582,846 and accumulated depreciation of \$87,427 at June 30, 2021.

H. Fund Balances

The components of fund balance as listed in aggregate in the governmental funds balance sheet at June 30, 2021 are detailed as follows:

	<u>General Fund</u>	<u>Durfee High School Construction</u>	<u>Capital Projects Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Nonexpendable perpetual funds	\$ -	\$ -	\$ -	\$ 803,189	\$ 803,189
Prepaid items	485,000	-	-	-	485,000
Restricted:					
Expendable perpetual funds	-	-	-	2,312,121	2,312,121
Community preservation	-	-	-	1,800,270	1,800,270
General government	-	-	2,432,534	1,205,371	3,637,905
Public safety	-	-	314,826	2,338,296	2,653,122
Education	-	8,671,341	224,328	9,969,120	18,864,789
Public works	-	-	1,058,074	1,108,922	2,166,996
Health and human services	-	-	-	4,169,182	4,169,182
Culture and recreation	-	-	1,514,599	214,509	1,729,108
Community development	-	-	-	1,004,743	1,004,743
Assigned:					
Education	5,908,194	-	-	-	5,908,194
Other purposes	771,878	-	-	-	771,878
Unassigned:					
General stabilization funds	9,229,145	-	-	-	9,229,145
Unrestricted	<u>6,412,125</u>	<u>-</u>	<u>(3,485,599)</u>	<u>(3,521,668)</u>	<u>(595,142)</u>
	<u>\$ 22,806,342</u>	<u>\$ 8,671,341</u>	<u>\$ 2,058,762</u>	<u>\$ 21,404,055</u>	<u>\$ 54,940,500</u>

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed. The City has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The City maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the City Council. The stabilization fund is reported as a component of unassigned fund balance in the general fund. In addition to this general stabilization fund, the City maintains a stabilization fund for each of its three enterprise funds. At June 30, 2021, the balances in the sewer, water and EMS stabilization funds were \$718,106, \$718,340 and \$2,629,042, respectively. These amounts are reported as components of unrestricted net position within these individual funds.

Encumbrances – The City's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the City Controller as assigned, and (2) classify encumbrances that result from an action of the City Council as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The City reports \$6,680,072 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

I. Excess of Expenditures Over Appropriations and Fund Deficits

During the fiscal year ended June 30, 2021, the City's expenditures for community maintenance and public safety exceeded appropriations by \$301,909 and \$410,895, respectively. These deficits were raised by the City in its fiscal year 2022 tax recapitulation process.

The City reported the following individual fund deficits at June 30, 2021:

FEMA COVID-19 reimbursements	<u>\$ 3,521,668</u>
Resiliency Prep Academy repairs	\$ 1,740,379
Tansee School repairs	511,273
Various streetscapes	349,108
Westfall School repairs	325,561
Police department equipment	250,000
Resiliency Prep/Westfall feasibility	130,315
MIS department equipment	97,463
Buildings and grounds equipment	44,350
Parks and cemetery equipment	<u>37,150</u>
Total capital projects deficits	<u>\$ 3,485,599</u>

These deficits are anticipated to be raised in future years through intergovernmental grant awards or long-term debt issuances.

J. Tax Abatements

Commercial and Industrial – The City enters into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under MGL, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The City Council must approve all TIF agreements.

For the fiscal year ended June 30, 2021, the City abated property taxes totaling approximately \$3.8 million under this program to sixteen property owners. Two executed TIF agreements represented approximately 61% of the entire abatement in the current year. The pertinent details of these TIF agreements were as follows:

\$ 1,468,068 A national online retailer and technology company was provided a 100% property tax abatement, which phases down over a 15-year period to a 25% abatement in fiscal year 2032. In addition to making timely payments of all taxes owed to the City, the property owner committed to the construction of a 1,000,000 square foot facility and make a minimum capital investment of \$50,000,000, which is expected to generate an estimated 500 permanent full-time employees, with preference to local suppliers, vendors and residents.

\$ 861,615 A real estate developer was provided a 100% property tax abatement, which phases down over a 15-year period to a 25% abatement in fiscal year 2026. In addition to making timely payments of all taxes owed to the City, the property owner committed to developing a multiple-use retail mall and make a minimum capital investment of \$25,000,000, which was expected to generate an estimated 200 temporary construction jobs during its development and upwards of 300 permanent full-time jobs upon completion, with preference to local suppliers, vendors and residents.

Residential – As a qualified “gateway city,” the City enters into property tax abatements for residential real properties under the Housing Development Incentive Program, or HDIP. Qualified owners of residential properties in the City may be granted HDIP abatements to stimulate increased residential growth, diversify housing stock, support economic development and promote neighborhood stabilization in designated areas. Property owners may be granted property tax abatements of up to 100% of the value of the tax increment for a maximum term of twenty years. The property tax abatements relative to this program were not significant to the City’s financial position at June 30, 2021.

III. Other Information

A. Retirement System

Pension Plan Description – The City contributes to the Retirement System, a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Fall River Retirement Board (the “Retirement Board”). The Retirement Board, subject to MGL and PERAC regulations, has the authority to amend or modify the Retirement System’s funding policies. Stand-alone financial statements for the year ended December 31, 2020 were issued and are available by submitting a request to the Retirement Board, 21 Father DeValles Boulevard, Suite GR101, Fall River, Massachusetts 02723.

Current membership in the Retirement System as of December 31, 2020 was as follows:

Retirees and beneficiaries receiving benefits	1,560
Active plan members	1,731
Inactive plan members	<u>389</u>
	<u>3,680</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.
- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in calendar year 2020.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The City contributed approximately \$32.0 million to the Retirement System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll were approximately 42% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the City reported a net pension liability of approximately \$345.6 million. The net pension liability was measured as of December 31, 2020 using an actuarial valuation as of January 1, 2021, which was rolled back by the Retirement System's actuary to December 31, 2020.

The City's proportion of the net pension liability is based on a projection of the City's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The City's proportion was approximately 91.2% at December 31, 2020 versus 91.3% at December 31, 2019.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2020, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The City recognized approximately \$34.3 million in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,737,550	\$ 3,263,494
Changes of assumptions	21,334,019	-
Net difference between projected and actual earnings on pension plan investments	-	13,479,013
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,429,601
	<u>\$ 23,071,569</u>	<u>\$ 18,172,108</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the City's pension expense (benefit) as follows:

Year ended June 30,

2022	\$ 3,302,351
2023	5,554,862
2024	(3,968,497)
2025	(425,352)
2026	436,097
	<u>\$ 4,899,461</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2021. The significant actuarial assumptions used in this actuarial valuation included:

Actuarial cost method	Entry age normal
Investment rate of return	7.0% per year, net of expenses (previously 7.25%)
Projected salary increases	Select and ultimate by job group; ultimate rates of 4.25% for group 1 and 4.75% for group 4
Cost of living adjustments	3% on first \$12,000 of benefits
Pre-retirement mortality	The RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct)
Post-retirement mortality	The RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct)
Disabled life mortality	The RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2018 (gender distinct)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	34% to 44%	5.7% to 8.4%
Core fixed income	12% to 18%	1.7% to 2.7%
Value-added fixed income	5% to 11%	6.2%
Private equity	11% to 17%	10.2%
Real estate	7% to 13%	6.0%
Timberland	1% to 7%	6.6%
Portfolio completion	7% to 13%	5.2%

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2020 actuarial valuation report was 7.0%, which is decrease from the previous rate of 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as the City’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.00%	\$ 415,539,079	\$ 345,637,559	\$ 286,362,004

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the City’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing, multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the City is in a special funding situation as defined under GAAP.

For the year ended June 30, 2021, the Commonwealth contributed approximately \$15.3 million to the MTRS on behalf of the City. The City’s proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.98%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the City as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the City was approximately \$280.8 million at year end.

The pension expense incurred by the Commonwealth on behalf of the City was approximately \$34.7 million for the year ended June 30, 2021. This amount has been recognized by the City as intergovernmental revenue and pension expense in the statement of activities and statement of revenues, expenditures and changes in fund balances for the year ended June 30, 2021.

C. Other Postemployment Benefits

The City administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of MGL.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and City ordinance. All benefits are provided through the City’s insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the City’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Inactive employees or beneficiaries receiving benefits	2,907
Active employees	<u>2,293</u>
	<u>5,200</u>

Contributions – The contribution requirements of OPEB Plan members and the City are established and may be amended by the City. The City currently contributes 75% of retiree health, dental and life insurance benefits; retirees contribute the remaining 25%. The City currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis. Administration costs of the OPEB Plan are paid by the City.

Net OPEB Liability – The City’s net OPEB liability was determined using an actuarial valuation as of June 30, 2019 rolled forward to and measured on June 30, 2021. The components of the net OPEB liability of the City at June 30, 2021 were as follows:

Total OPEB liability	\$ 668,604,267
Plan fiduciary net position	<u>(767,115)</u>
Net OPEB liability	<u>\$ 667,837,152</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.11%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Municipal bond rate	2.18% as of June 30, 2021 (previously 2.66%)
Single equivalent discount rate	2.5% net of OPEB Plan investment expenses, including inflation
Healthcare cost trend rates	4.5% (previously 5.0%)
Participation	80% of future retirees are assumed to participate in a retiree medical plan (previously 90%)
Pre-retirement mortality	For general employees, PubT-2010 Mortality Table projected to 2025 with Scale MP-2019. For public safety employees, PubT-2010 Mortality Table projected to 2025 with Scale MP-2019. For teachers, RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2019.

Post-retirement mortality	For general employees, PubT-2010 Mortality Table for General Healthy Annuitants projected to 2025 with Scale MP-2019. For public safety employees, PubT-2010 Mortality Table for Public Safety Healthy Annuitants projected to 2025 with Scale MP-2019. For teachers, RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2019.
Disabled mortality	For general employees, PubT-2010 Mortality Table for General Disabled Annuitants projected to 2025 with Scale MP-2019. For public safety employees, PubT-2010 Mortality Table for Public Safety Disabled Annuitants projected to 2025 with Scale MP-2019. For teachers, RP-2014 Mortality Table for White Collar Disabled Annuitants projected generationally with Scale MP-2019.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	<u>100.00%</u>	0.00%
	<u>100.00%</u>	
Real rate of return		0.00%
Inflation assumption		<u>2.50%</u>
Total nominal rate of return		2.50%
Investment expense		<u>0.00%</u>
Net investment return		<u>2.50%</u>

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.5%, which was unchanged from the prior year and is consistent with the expected tax-exempt, high-quality municipal bond rate.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 604,604,377	\$ 537,667	\$ 604,066,710
Changes for the year:			
Service cost	22,764,220	-	22,764,220
Interest	15,475,915	-	15,475,915
Differences in experience	7,666,816	-	7,666,816
Changes in assumptions	34,860,402	-	34,860,402
Employer contributions	-	16,994,200	(16,994,200)
Net investment income	-	2,711	(2,711)
Benefit payments	(16,767,463)	(16,767,463)	-
Net changes	63,999,890	229,448	63,770,442
Balances at June 30, 2021	<u>\$ 668,604,267</u>	<u>\$ 767,115</u>	<u>\$ 667,837,152</u>

There were a number of changes in assumptions made in the current year's actuarial study. The most notable included changes in mortality tables and decreases in assumed rates of healthcare cost trends and participation trends.

Sensitivity Analyses – The following presents the City's net OPEB liability calculated using the current discount rate of 2.5% as well as what the City's net OPEB liability using a discount rate that in 1% lower or higher than the current rate:

	Net OPEB Liability At		
Current Rate	1% Decrease	Current	1% Increase
2.5%	\$ 793,805,989	\$ 667,837,152	\$ 569,170,995

The following presents the City's net OPEB liability calculated using the current healthcare trend rate assumption of 4.5% as well as what the City's net OPEB liability using a healthcare trend rate that in 1% lower or higher than the current rate:

	Net OPEB Liability At		
Current Rate	1% Decrease	Current	1% Increase
4.5%	\$ 564,557,305	\$ 667,837,152	\$ 802,997,455

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the City recognized OPEB expense of approximately \$64.8 million. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,200,886	\$ 7,608,735
Changes in assumptions	89,059,331	-
Net difference between projected and actual earnings on OPEB Plan investments	<u>15,670</u>	<u>-</u>
	<u>\$ 95,275,887</u>	<u>\$ 7,608,735</u>

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

Year Ended June 30,

2022	\$ 26,610,165
2023	28,337,304
2024	22,715,346
2025	8,134,109
2026	<u>1,870,228</u>
	<u>\$ 87,667,152</u>

Events Subsequent to Measurement Date – The City changed Medicare supplemental plans effective January 1, 2022. The City’s actuary expects that this change in benefit plan will reduce its net OPEB liability by approximately \$100 million. Under GAAP, the City will record the entire reduction to its net OPEB liability related to this change as an expense offset in its fiscal year 2022 government-wide financial statements.

Investment Custody – In accordance with MGL, the City Treasurer is the custodian of the OPEB Plan. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the City.

Investment Policy – The City Council adopted an investment policy for the City’s OPEB Plan. The investment policy seeks to pursue an investment strategy that reduces risk through the prudent diversification of its investment portfolio of assets across a broad selection of distinct investment asset classes. Additionally, the OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 0.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

The City reports pension and other postemployment benefits trust funds in a single column in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position in the fiduciary funds. The City's OPEB Plan does not issue stand-alone financial statements and must be reported separately.

The Statement of Fiduciary Net Position of the City's pension and other employee benefit trust fund at June 30, 2021 was comprised as follows:

	Fall River Contributory Retirement (a)	OPEB Trust	Pension and Other Employee Benefit Trust Funds
Assets:			
Cash and cash equivalents	\$ 15,464,874	\$ 767,115	\$ 16,231,989
Investments at fair value:			
PRIT	308,549,080	-	308,549,080
Other investments	737,597	-	737,597
Receivables:			
Contributions	11,177,204	-	11,177,204
Other	45,033	-	45,033
Total Assets	<u>335,973,788</u>	<u>767,115</u>	<u>336,740,903</u>
Liabilities:			
Warrants and accounts payable	<u>7,468</u>	<u>-</u>	<u>7,468</u>
Net Position:			
Restricted for pensions	335,966,320	-	335,966,320
Restricted for other postemployment benefits	<u>-</u>	<u>767,115</u>	<u>767,115</u>
Total Net Position	<u>\$ 335,966,320</u>	<u>\$ 767,115</u>	<u>\$ 336,733,435</u>

(a) As of December 31, 2020.

The Statement of Changes in Fiduciary Net Position of the City's pension and other employee benefit trust fund as of and for the year ended June 30, 2021 was comprised as follows:

	Fall River Contributory Retirement (a)	OPEB Trust	Pension and Other Employee Benefit Trust Funds
Additions:			
Employer contributions	\$ 35,071,000	\$ 16,994,200	\$ 52,065,200
Employee contributions	8,201,024	-	8,201,024
Other contributions	<u>1,726,825</u>	<u>-</u>	<u>1,726,825</u>
Total contributions	<u>44,998,849</u>	<u>16,994,200</u>	<u>61,993,049</u>
Investment income:			
Interest and dividends	6,404,287	2,711	6,406,998
Net appreciation in fair value of investments	29,210,694	-	29,210,694
Less investment management fees	<u>(1,388,502)</u>	<u>-</u>	<u>(1,388,502)</u>
Total net investment income	<u>34,226,479</u>	<u>2,711</u>	<u>34,229,190</u>
Other income	<u>31,465</u>	<u>-</u>	<u>31,465</u>
Total Additions	<u>79,256,793</u>	<u>16,996,911</u>	<u>96,253,704</u>
Deductions:			
Benefit payments to retirees and survivors	42,448,305	16,767,463	59,215,768
Member refunds	652,367	-	652,367
Transfers and reimbursements to other systems	3,103,562	-	3,103,562
Operations payroll and related personnel costs	412,699	-	412,699
Other administrative expenses	<u>205,307</u>	<u>-</u>	<u>205,307</u>
Total Deductions	<u>46,822,240</u>	<u>16,767,463</u>	<u>63,589,703</u>
Change in Net Position	32,434,553	229,448	32,664,001
Net Position:			
Beginning of the year	<u>303,531,767</u>	<u>537,667</u>	<u>304,069,434</u>
End of the year	<u>\$ 335,966,320</u>	<u>\$ 767,115</u>	<u>\$ 336,733,435</u>

(a) As of and for the year ended December 31, 2020.

E. Risk Financing

General – The City is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; environmental matters; 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.

Group Health Insurance Plan – The City maintains a reinsured cost reimbursement program, which covers the group health insurance requirements of a majority of City employees (the “Insurance Plan”). The Insurance Plan is essentially a self-insurance program and employee claims in excess of \$225,000 are reinsured by the Insurance Plan. The Insurance Plan is administered by Blue Cross Blue Shield of Massachusetts, who acts as a claims processor and a transfer of risk does not occur between the City and Blue Cross Blue Shield of Massachusetts. City employees and retirees currently contribute 25% of health care costs; the remainder is paid by the City.

The City accrues an amount representing claims incurred but not reported (“IBNR”), which is based on a retrospective review of claims paid. At June 30, 2021, the amount of the liability for IBNR health insurance claims totaled \$2,505,380. This liability is the best estimate based on available information. In the government-wide financial statements, the City reports the activities of the Insurance Plan in the Internal Service Fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Changes in the reported liability for the past two fiscal years are as follows:

	2021	2020
Balance — beginning of year	2,258,925	\$ 2,634,024
Claims and changes in estimates	55,730,162	54,882,875
Claims paid	<u>(55,483,707)</u>	<u>(55,257,974)</u>
Balance — end of year	<u>\$ 2,505,380</u>	<u>\$ 2,258,925</u>

Workers’ Compensation – The City is self-insured for its workers’ compensation activities, which are accounted for in the funds incurring the expenditures. Workers’ compensation claims are administered by a third-party and are funded on a pay-as-you-go basis from annual appropriations. The City does not maintain any form of reinsurance for workers’ compensation. The estimated future workers’ compensation liability is based on history and injury type.

Changes in the reported liability for the past two fiscal years are as follows:

	2021	2020
Balance — beginning of year	542,449	\$ 1,079,800
Claims and changes in estimates	697,607	316,168
Claims paid	<u>(374,269)</u>	<u>(853,519)</u>
Balance — end of year	<u>\$ 865,787</u>	<u>\$ 542,449</u>

Unemployment Insurance – The City is also self-insured for its unemployment compensation. The City’s liability for unemployment claims is not material at June 30, 2021 and was therefore not reported in these basic financial statements.

F. Commitments

The City is party to a number of contracts in the execution of its day-to-day operations. The City commenced a significant school building construction project in fiscal year 2019, a significant portion of which is expected to be reimbursed by the MSBA. At June 30, 2021, the primary contractor for this project had an approximate \$35.2 million remaining contract balance on this construction contract.

G. Contingencies

General – During its day-to-day operations, the City is party to certain legal claims, which are subject to many uncertainties. The outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2021 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the City at June 30, 2021.

Appellate Tax Board – The City has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). Assessed property values for residential real estate, commercial real estate and personal property contested by taxpayers in ATB approximated \$87.7 million at June 30, 2021. As the outcome in these matters cannot be determined (or even estimated), no provision has been made in the City’s financial statements. However, the City does not believe that any adjustments to these property tax assessments will materially impact the financial statements.

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

Arbitrage – The City is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The City does not believe it has failed to comply with any of these agreements.

Allowance for Uncollectible Accounts – Management’s estimate of allowances for uncollectible accounts involves judgment. Management evaluates the collectability of receivables by analyzing historical revenues, historical loss levels as well as the collectability of individual accounts. Should management’s estimates prove to be incorrect, the City may be required to recognize additional bad debt charges, which may have a material effect on the City’s financial position and results of operations.

H. Economic Dependence

During the year ended June 30, 2021, approximately 60% of total general fund revenues were recognized from the Commonwealth or other governmental agencies.

IV. Implementation of GASB Pronouncements

A. Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the City in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. Refer to Note V for the financial impact of the adoption of this accounting standard.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the City in fiscal year 2021. The adoption of this standard did not have an impact on the City's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the City's financial statements.

B. Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The City is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatements and Reclassifications

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds. In addition to the effects of adoption of the new accounting standard, the City reevaluated the manner in which it allocates OPEB balances to enterprise funds in fiscal year 2021, which resulted in a restatement of previously reported balances. Finally, the City concluded that its capital project fund is a major governmental fund in accordance with GAAP, which required a reclassification of previously reported fund balances.

The following tables illustrates the effect of these prior period restatements and reclassifications first on the government-wide financial statements and secondly on the governmental funds financial statements:

	Governmental	Business-Type Activities			
	Activities	Sewer	Water	EMS	Total
Net position at June 30, 2020 — as reported	\$ (417,330,976)	\$ 68,679,706	\$ 23,029,588	\$ (22,989,522)	\$ 68,719,772
Adoption of GASB Statement No. 84	171,529	-	-	-	-
Changes in OPEB allocations	(10,332,558)	659,473	(905,680)	10,578,765	10,332,558
Net position at June 30, 2020 — as restated	<u>\$ (427,492,005)</u>	<u>\$ 69,339,179</u>	<u>\$ 22,123,908</u>	<u>\$ (12,410,757)</u>	<u>\$ 79,052,330</u>

	General	Durfee	Capital	Nonmajor	Total
	Fund	High School Construction	Projects Fund	Governmental Funds	
Fund balances at June 30, 2020 — as reported	\$ 16,486,288	\$ 30,175,494	\$ -	\$ 16,188,398	\$ 62,850,180
Report as major fund	-	-	(4,599,698)	4,599,698	-
Adoption of GASB Statement No. 84	-	-	-	171,529	171,529
Fund balances at June 30, 2020 — as restated	<u>\$ 16,486,288</u>	<u>\$ 30,175,494</u>	<u>\$ (4,599,698)</u>	<u>\$ 20,959,625</u>	<u>\$ 63,021,709</u>

VI. Subsequent Events

For the purposes of determining the effects of subsequent events on these basic financial statements, management evaluated events which have occurred subsequent to June 30, 2021 and through February 3, 2022, the date on which these basic financial statements were available to be issued.

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CITY OF FALL RIVER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
CITY PENSION PLAN**

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	91.2%	\$ 345,638	\$ 77,172	447.9%	47.0%
2020	91.3%	348,480	70,837	491.9%	44.3%
2019	91.2%	364,206	70,729	514.9%	40.3%
2018	91.7%	315,871	66,384	475.8%	45.0%
2017	91.6%	325,819	67,582	482.1%	41.3%
2016	91.8%	320,487	67,691	473.5%	40.7%
2015	91.9%	284,610	65,494	434.6%	44.2%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 31,988	\$ 31,988	\$ -	\$ 77,172	41.5%
2020	29,795	29,795	-	70,837	42.1%
2019	27,933	27,933	-	70,729	39.5%
2018	26,278	26,278	-	66,384	39.6%
2017	24,715	24,715	-	67,582	36.6%
2016	23,288	23,288	-	67,691	34.4%
2015	21,965	21,965	-	65,494	33.5%
2014	21,142	21,142	-	66,972	31.6%
2013	20,341	20,341	-	63,813	31.9%
2012	19,709	19,709	-	61,002	32.3%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CITY OF FALL RIVER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION

MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	City's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	100%	0%	\$ 280,825	\$ 15,283	50.7%
2020	100%	0%	244,708	14,012	53.9%
2019	100%	0%	230,788	12,797	54.8%
2018	100%	0%	223,349	12,058	54.3%
2017	100%	0%	225,763	11,356	52.7%
2016	100%	0%	156,788	9,245	55.4%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the City has not recognized any portion of the net pension liability relative to City employees covered under the MTRS pension plan.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CITY OF FALL RIVER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service cost	\$ 22,764	\$ 13,928	\$ 17,671	\$ 16,910	\$ 16,182
Interest	15,476	18,296	18,524	17,840	17,226
Experience differences	7,667	-	(21,612)	-	-
Changes in assumptions	34,860	107,149	-	-	-
Benefit payments	<u>(16,767)</u>	<u>(17,304)</u>	<u>(16,559)</u>	<u>(17,985)</u>	<u>(17,505)</u>
Net Change in Total OPEB Liability	<u>64,000</u>	<u>122,069</u>	<u>(1,976)</u>	<u>16,765</u>	<u>15,903</u>
Total OPEB Liability:					
Beginning of year	<u>604,604</u>	<u>482,535</u>	<u>484,511</u>	<u>467,746</u>	<u>451,843</u>
End of year (a)	<u>\$ 668,604</u>	<u>\$ 604,604</u>	<u>\$ 482,535</u>	<u>\$ 484,511</u>	<u>\$ 467,746</u>
Plan Fiduciary Net Position:					
Contributions	\$ 16,994	\$ 17,736	\$ 16,658	\$ 17,985	\$ 17,505
Net investment income	3	4	1	-	-
Benefit payments	<u>(16,767)</u>	<u>(17,304)</u>	<u>(16,558)</u>	<u>(17,985)</u>	<u>(17,505)</u>
Net Change in Plan Fiduciary Net Position	<u>230</u>	<u>436</u>	<u>101</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position:					
Beginning of year	<u>537</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year (b)	<u>\$ 767</u>	<u>\$ 537</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 667,837</u>	<u>\$ 604,067</u>	<u>\$ 482,434</u>	<u>\$ 484,511</u>	<u>\$ 467,746</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.11%	0.09%	0.02%	0.00%	0.00%
Covered payroll	\$ 139,527	\$ 135,383	\$ 131,440	\$ 118,880	\$ 114,860
Net OPEB Liability as a Percentage of Covered Payroll	478.64%	446.19%	367.04%	407.56%	407.23%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CITY OF FALL RIVER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 42,747	\$ 34,080	\$ 52,280	\$ 50,901	\$ 48,999
Contributions in relation to the actuarially determined contribution	<u>(16,994)</u>	<u>(17,304)</u>	<u>(16,658)</u>	<u>(17,985)</u>	<u>(17,505)</u>
Contribution deficiency (excess)	<u>\$ 25,753</u>	<u>\$ 16,776</u>	<u>\$ 35,622</u>	<u>\$ 32,916</u>	<u>\$ 31,494</u>
Covered payroll	\$ 139,527	\$ 135,383	\$ 131,440	\$ 118,880	\$ 114,860
Contribution as a percentage of covered payroll	12.18%	12.78%	12.67%	15.13%	15.24%

Notes to Schedule:

Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Municipal bond rate	2.18% as of June 30, 2021 (previously 2.66%)
Single equivalent discount rate	2.5% net of OPEB Plan investment expenses, including inflation
Healthcare cost trend rates	4.5% per annum (previously 5.0%)
Mortality	For pre-retirement mortality, the PubT-2010 Mortality Table projected to 2025 with Scale MP-2015 for non-teachers; for teachers, RP-2014 Mortality Table for White Collar employees projected generationally with Scale MP-2019. For post-retirement mortality, the PubT-2010 Mortality Table for Healthy Annuitants projected to 2025 with Scale MP-2015 for non-teachers; for teachers, RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2019. For disabled mortality, the PubT-2010 Mortality Table for Disabled Annuitants projected to 2025 with Scale MP-2015 for non-teachers; for teachers, RP-2014 Mortality Table for White Collar Disabled Annuitants projected generationally with Scale MP-2019.

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	0.44%	1.28%	2.31%	N/A	N/A

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CITY OF FALL RIVER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Encumbrances Carried Forward	Budgeted Amounts		Available for Current Year Expenditures	Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
		Original Budget	Final Budget					
Revenues:								
Property taxes, net of abatements		\$ 110,435,241	\$ 110,649,069	\$ 110,649,069	\$ 111,009,850		\$ 111,009,850	\$ 360,781
Local receipts:								
Motor vehicle excise		8,250,000	8,250,000	8,250,000	8,788,398		8,788,398	538,398
Cannabis excise		1,500,000	1,500,000	1,500,000	1,577,837		1,577,837	77,837
Other excise		1,325,000	1,285,000	1,285,000	1,390,862		1,390,862	105,862
Penalties and interest		810,000	810,000	810,000	1,009,635		1,009,635	199,635
Payments in lieu of taxes		410,000	410,000	410,000	452,553		452,553	42,553
Fees		3,358,375	3,133,475	3,133,475	3,777,219		3,777,219	643,744
Rentals		70,948	70,948	70,948	83,569		83,569	12,621
Library		9,000	4,000	4,000	910		910	(3,090)
Cemeteries		79,000	79,000	79,000	128,959		128,959	49,959
Departmental revenues		1,028,752	987,851	987,851	1,119,180		1,119,180	131,329
Licenses and permits		2,237,915	2,273,715	2,273,715	2,652,949		2,652,949	379,234
Solid waste - other		70,000	70,000	70,000	165,196		165,196	95,196
Fines and forfeitures		1,515,000	1,515,000	1,515,000	1,543,029		1,543,029	28,029
Investment income		300,000	880,000	880,000	374,198		374,198	(505,802)
Recurring		1,525,000	1,415,000	1,415,000	986,953		986,953	(428,047)
Non-recurring		167,580	107,392	107,392	(196,822)		(196,822)	(304,214)
State aid:								
General government		27,626,741	27,541,099	27,541,099	27,444,254		27,444,254	(96,845)
Education		141,108,334	142,049,903	142,049,903	140,935,970		140,935,970	(1,113,933)
Indirect cost transfers		7,351,559	7,341,559	7,341,559	7,319,035		7,319,035	(22,524)
Total Revenues		309,178,445	310,373,011	310,373,011	310,563,734		310,563,734	190,723
Expenditures:								
General government	\$ 45,866	4,039,024	4,039,024	4,084,890	3,205,404	\$ 15,338	3,220,742	864,148
Administrative services	18,029	3,826,694	3,826,694	3,844,723	3,611,256	20,892	3,632,148	212,575
Financial services	11	1,669,100	1,669,100	1,669,111	1,510,543	-	1,510,543	158,568
Facility maintenance	39,427	2,392,142	2,392,142	2,431,569	2,128,207	272,171	2,400,378	31,191
Community maintenance	86,446	15,506,616	15,506,616	15,593,062	15,852,326	42,645	15,894,971	(301,909)
Community service	10,701	3,255,791	3,255,791	3,266,492	2,913,692	12,720	2,926,412	340,080
Education:								
Operations	2,834,523	114,789,675	116,528,355	119,362,878	113,454,684	5,908,194	119,362,878	-
Transportation	-	10,730,000	9,730,000	9,730,000	6,666,444	-	6,666,444	3,063,556
Other - districts	-	4,000,274	4,051,012	4,051,012	4,043,199	-	4,043,199	7,813
Public safety	153,392	38,113,573	38,113,573	38,266,965	38,494,748	183,112	38,677,860	(410,895)
Debt service	-	12,982,757	12,982,757	12,982,757	12,982,757	-	12,982,757	-
Employee benefits:								
Retirement	-	31,548,259	31,548,259	31,548,259	31,222,907	-	31,222,907	325,352
Health and other insurance	30,000	41,035,000	39,815,784	39,845,784	39,514,790	225,000	39,739,790	105,994
State and county charges	-	28,414,540	29,038,909	29,038,909	28,191,371	-	28,191,371	847,538
Total Expenditures	\$ 3,218,395	312,303,445	312,498,016	315,716,411	303,792,328	\$ 6,680,072	310,472,400	5,244,011
Other Financing Sources (Uses):								
Transfers in		2,125,000	2,125,005	2,125,005	141,876		141,876	(1,983,129)
Transfers out		-	(2,201,502)	(2,201,502)	(2,201,502)		(2,201,502)	-
Total Other Financing Sources (Uses)		2,125,000	(76,497)	(76,497)	(2,059,626)		(2,059,626)	(1,983,129)
(Deficiency) Excess of Revenues Over Expenditures		(1,000,000)	(2,201,502)	(5,419,897)	\$ 4,711,780		\$ (1,968,292)	\$ 3,451,605
Other Budgetary Items:								
Prior year encumbrances		-	-	3,218,395				
Free cash		-	2,201,502	2,201,502				
Other items		1,000,000	-	-				
Total Other Budgetary Items		1,000,000	2,201,502	5,419,897				
Net Budget	\$ -	\$ -	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

CITY OF FALL RIVER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

An annual budget is legally adopted for the general fund. The City Mayor presents an annual budget to the City Council, inclusive of estimated revenues and other financing sources and uses. The City Council, which may amend and/or reject the budget or individual line items within the budget, adopts the expenditure budget by majority vote. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. Unspent funds from continuing appropriations such as capital articles are carried forward into the subsequent fiscal year and are available for spending.

The City adopts an annual budget for the general fund in conformity with the guidelines described above. The City Auditor is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by City Council. Budgetary control is exercised through the City's accounting system.

The City's general fund is prepared on a basis of accounting other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison with the budget. A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — statutory basis			\$ 310,563,734
On-behalf payments	\$ 34,685,915	\$ -	34,685,915
Transfer treatment	-	(7,319,035)	(7,319,035)
Stabilization investment income	-	3,655	3,655
Other miscellaneous reconciling items	-	3,267	3,267
Revenues — GAAP basis	<u>\$ 34,685,915</u>	<u>\$ (7,312,113)</u>	<u>\$ 337,937,536</u>
Expenditures — statutory basis			\$ 303,792,328
On-behalf payments	\$ 34,685,915	\$ -	34,685,915
Expense recognition	(130,000)	-	(130,000)
Transfer treatment	-	(7,630,386)	(7,630,386)
Expenditures — GAAP basis	<u>\$ 34,555,915</u>	<u>\$ (7,630,386)</u>	<u>\$ 330,717,857</u>
Net transfers — statutory basis			\$ (2,059,626)
Transfer treatment	\$ -	\$ 1,160,001	1,160,001
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ 1,160,001</u>	<u>\$ (899,625)</u>