

CITY OF LAWRENCE, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2020

CITY OF LAWRENCE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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Independent Auditor's Report

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Lawrence, Massachusetts, as of and for the year ended June 30, 2020 (except for the Lawrence Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City of Lawrence, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrence, Massachusetts, as of June 30, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the City of Lawrence, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lawrence's internal control over financial reporting and compliance.



March 25, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Lawrence (the “City”), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the City as a whole. The fund financial statements focus on the individual components of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets, liabilities and deferred inflow/outflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

The City maintains approximately 30 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. Data from the other funds are combined into a single, aggregate presentation under the caption *nonmajor governmental funds*.

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

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal service funds to account for self-insured dental insurance programs. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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 propriety funds.

The fiduciary fund financial statements provide separate information for the pension trust fund and the OPEB trust fund of the City. All other fiduciary funds are combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption "private purpose trust funds".

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$391.3 million at the close of 2020.

Net position of \$242.4 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt 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 investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$27.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a deficit amount of \$661.3 million. This is due to the recognition of the net OPEB liability and net pension liability of \$590.6 million and \$193.9 million, respectively.

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

Governmental Activities

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The liabilities and deferred inflows of resources of governmental activities exceeded assets and deferred outflows of resources by \$438.3 million at the close of 2020. Components of the City's governmental financial position are listed below.

	2020	2019
Assets:		
Current assets.....	\$ 150,091,547	\$ 123,500,212
Noncurrent assets (excluding capital).....	1,277,737	5,104,698
Capital assets, nondepreciable.....	6,700,525	6,700,525
Capital assets, net of accumulated depreciation....	245,701,518	226,446,364
Total assets	403,771,327	361,751,799
 Deferred outflows of resources	73,643,403	71,464,688
 Liabilities:		
Current liabilities (excluding debt).....	22,011,265	21,075,924
Noncurrent liabilities (excluding debt).....	773,447,748	762,541,557
Current debt.....	14,463,021	27,530,937
Noncurrent debt.....	74,266,790	50,655,095
Total liabilities	884,188,824	861,803,513
 Deferred inflows of resources	31,525,522	6,626,280
 Net position:		
Net investment in capital assets.....	184,654,254	199,262,627
Restricted.....	27,599,073	22,347,474
Unrestricted.....	(650,552,943)	(656,823,407)
 Total net position	\$ (438,299,616)	\$ (435,213,306)

	2020	2019
Program Revenues:		
Charges for services.....	\$ 6,836,088	\$ 14,569,686
Operating grants and contributions.....	304,402,424	278,337,551
Capital grants and contributions.....	2,563,801	2,995,305
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	73,208,520	69,713,707
Tax and other liens.....	549,092	2,185,896
Motor vehicle and other excise taxes.....	6,975,638	6,925,751
Penalties and interest on taxes.....	784,902	1,428,469
Payments in lieu of taxes.....	509,981	671,103
Grants and contributions not restricted to specific programs.....	22,546,870	22,141,093
Unrestricted investment income.....	1,954,680	1,851,118
Miscellaneous.....	6,951	70,035
Total revenues.....	420,338,947	400,889,714
Expenses:		
General government.....	12,976,716	20,841,987
Public safety.....	48,660,492	55,921,259
Education.....	337,663,722	323,973,876
Public works.....	13,106,730	16,213,653
Human services.....	1,059,781	1,699,195
Culture and recreation.....	1,041,390	2,064,186
COVID-19.....	2,965,465	-
Interest.....	1,462,251	1,989,118
Total expenses.....	418,936,547	422,703,274
Excess (Deficiency) before transfers and extraordinary items.....	1,402,400	(21,813,560)
Transfers and extraordinary items:		
Transfers.....	(265,855)	(5,262)
Extraordinary item - gas disaster reimbursements.....	2,028,240	43,217,361
Extraordinary item - gas disaster expenses.....	(6,251,095)	(6,307,361)
Total.....	(4,488,710)	36,904,738
Change in net position.....	(3,086,310)	15,091,178
Net position, beginning of year.....	(435,213,306)	(450,304,484)
Net position, end of year.....	\$ (438,299,616)	\$ (435,213,306)

The governmental expenses totaled \$418.9 million of which \$313.8 million (74.9%) was directly supported by program revenues consisting of charges for services, operating and capital grants, and contributions. General revenues totaled \$106.5 million, primarily coming from property taxes, motor vehicle excise and nonrestricted grants and contributions.

The governmental activities net position decreased in the current year by \$3.1 million as a result of several factors. Net position increased \$14.2 million due to positive budgetary results in the general fund, an increase in operating grant revenue, as well as the receipt of \$2.6 million of capital grant revenues from various sources. This increase in net position was offset by the recognition of a \$33.8 million expense for the increase in the net OPEB liability, net of the corresponding deferred inflows/outflows of resources.

In 2020, there was an actuarially determined change in proportion of the net OPEB liability which contributed to the decrease in general government, public safety, public works and culture and recreation expenses, which was offset by an increase education expense.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020 and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. As of June 30, 2020, the City spent approximately \$6.2 million. The City has not received federal funding in 2020. Receipts and an intergovernmental receivable totaling \$6.2 million were recorded for funds not yet received by year end. Of the \$6.2 million spent, \$3.2 million was related to capital items and will be depreciated over the useful lives of the assets. The City plans to submit reimbursements to the Federal Emergency Management Agency (FEMA), apply funding from the CARES Act, and use other local grant receipts to cover these costs.

Business-Type Activities

The following summarizes the financial components of the City's Business-Type Activities:

	2020	2019
Assets:		
Current assets.....	\$ 17,425,401	\$ 26,858,412
Capital assets, nondepreciable.....	2,944,509	2,749,120
Capital assets, net of accumulated depreciation....	128,030,330	112,696,549
Total assets.....	148,400,240	142,304,081
 Deferred outflows of resources.....	2,151,089	2,322,673
 Liabilities:		
Current liabilities (excluding debt).....	3,962,836	3,608,241
Noncurrent liabilities (excluding debt).....	25,036,284	26,118,872
Current debt.....	16,394,631	4,896,183
Noncurrent debt.....	56,812,562	61,281,099
Total liabilities.....	102,206,313	95,904,395
 Deferred inflows of resources.....	1,338,758	376,775
 Net position:		
Net investment in capital assets.....	57,767,646	54,833,715
Unrestricted.....	(10,761,388)	(6,488,131)
 Total net position.....	\$ 47,006,258	\$ 48,345,584

	2020	2019
Program Revenues:		
Charges for services.....	\$ 19,705,078	\$ 19,771,033
Operating grants and contributions.....	234,347	223,166
Capital grants and contributions.....	22,378	214,241
General Revenues:		
Tax and other liens.....	752	10,467
Penalties and interest on taxes.....	100,528	183,101
Total revenues.....	20,063,083	20,402,008
 Expenses:		
Water and sewer.....	19,438,983	19,626,327
Airport.....	819,687	735,974
Parking.....	1,409,594	1,047,099
Total expenses.....	21,668,264	21,409,400
 Excess (Deficiency) before transfers.....	(1,605,181)	(1,007,392)
 Transfers.....	265,855	5,262
 Change in net position.....	(1,339,326)	(1,002,130)
 Net position, beginning of year.....	48,345,584	49,347,714
 Net position, end of year.....	\$ 47,006,258	\$ 48,345,584

The City's business-type activities include Water & Sewer, Airport, and Parking services. They are designed to be self-supporting and each fund maintained its financial condition in 2020.

Business-type water and sewer net position decreased by \$541,000. This decrease is the result of better than anticipated user charge collections, offset by expense for the increase in the net OPEB liability, net of the corresponding deferred outflows of resources.

Business-type airport net position decreased by \$171,000 primarily due to a decrease in capital grant revenue.

Business-type parking net position decreased by \$627,000 primarily due to expense for the increase in the net OPEB liability, net of the corresponding deferred outflows of resources and a decrease in revenue due to the impact of COVID-19.

Financial Analysis of the Governmental Funds

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

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

As of the end of the year, governmental funds reported combined ending fund balances of \$124.4 million, an increase of \$23.2 million from the prior year. This increase is mainly due to bond proceeds, capital expenses and the timing differences between the receipt and expenditure of proceeds from grants and capital projects.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$35.2 million, while total fund balance equaled \$53.1 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 represents 9.8% of the general fund budget while total fund balance represents 14.7%. The general fund increased by \$14.2 million, which was mainly due to positive budgetary results. Revenues came in over budget by \$912,000 and budgeted expenditures and carryforwards came in under budget by \$17.9 million. This was mainly due to a decrease in budgeted education costs due to the COVID-19 pandemic.

The capital reserve fund increased by \$423,000. This was due to the recognition of \$1.3 million of capital costs in 2020, offset by a transfer of \$1.7 million from the general fund.

The City's capital projects fund increased by \$12.1 million. This was due to a transfer in from the Columbia gas mitigation fund for a Columbia Gas Reserve, bond proceeds of \$18.2 million, and \$13.4 million of capital expenditures.

In 2019, the City received \$31,910,000 for costs associated with repaving and restoring all streets, roadways, sidewalks, and other areas affected by the event, which have been reported in the Gas Disaster Paving Restoration Fund. The City anticipates completing the paving restoration over the next few fiscal years. In 2020, the City spent \$3.0 million on paving restoration and the ending fund balance of the Gas Disaster Paving Restoration Fund totaled \$28.9 million.

In 2019, the City received \$5,000,000 of mitigation funds, which has been reported in the Gas Disaster Mitigation Fee Fund. In 2020, the City spent \$1.2 million on mitigation activities. The City appropriated the remaining balance of \$3.8 million and transferred it to the Columbia Gas Reserve account within the City's Capital Projects Fund.

Columbia agreed to a maximum reimbursement of \$6,418,750 for direct substantiated losses submitted for reimbursement to Columbia. During 2020, a total of 2.2 million was received to offset direct costs of \$2.0 million. As of June 30, 2020, the City has reserved \$200,000 received as unearned revenue to offset costs occurring in 2021.

The nonmajor governmental funds increased by \$4.6 million. This was due to the timing differences between the receipt and expenditure of state and federal grants.

General Fund Budgetary Highlights

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$331.9 million in current year appropriations and \$12.7 million in encumbrances and appropriations carried over from previous years. During 2020, the Council approved supplemental appropriations totaling \$5.9 million for snow and ice, reserves, union contract settlements, as well as other various line items.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for governmental activities as of June 30, 2020, amounts to \$252.4 million, net of accumulated depreciation. The investment in capital assets includes land; buildings; systems; improvements; machinery and equipment; park facilities; streets, sidewalks, and storm drains. During 2020, major capital asset additions included various building improvements, machinery and equipment and infrastructure improvements.

The City's investment in capital assets for business type activities as of June 30, 2020, amounts to \$131.0 million, net of accumulated depreciation. Major additions during the year included water and sewer infrastructure improvements. Additional information on the City's governmental and business type capital assets may be found in Note 4 to the basic financial statements.

Debt Administration - At June 30, 2020, the City had total long-term governmental bonded debt of \$86.7 million. During 2020, the City issued \$18.2 million of governmental general obligation bonds to finance a variety of capital projects. Additionally, the City refunded \$16.4 million of deficit borrowing notes.

The water and sewer enterprise fund has \$61.8 million in long-term debt outstanding that is supported by the water rates and future MWPAT principal and interest subsidies totaling \$662,000.

Currently the City has \$50.4 million in authorized and unissued long-term debt relating to future governmental and business-type projects.

Financial Condition

The current focus of the City is to continue its ongoing resolution to improve the long-term financial condition of the General Fund. The Special Revenue Funds are self-supporting through charges for services, grants and contributions and therefore do not create deficits in their operations. The other Capital Projects Funds are supported by grants and long-term bond issues but can create deficits due to the uncertainty of the final costs incurred during construction.

Requests for Information

This financial report is designed to provide a general overview of the City of Lawrence's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration and Finance Director, City Hall, 200 Common Street, Lawrence, MA 01840.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020

<i>Primary Government</i>			
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 133,410,281	\$ 9,822,735	\$ 143,233,016
Investments.....	57,921	-	57,921
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,884,014	-	1,884,014
Tax liens.....	-	95,838	95,838
Motor vehicle and other excise taxes.....	2,055,932	-	2,055,932
User charges.....	-	7,500,242	7,500,242
Departmental and other.....	-	6,586	6,586
Intergovernmental.....	12,513,499	-	12,513,499
Working capital deposit.....	169,900	-	169,900
Total current assets.....	<u>150,091,547</u>	<u>17,425,401</u>	<u>167,516,948</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Loans.....	1,277,737	-	1,277,737
Capital assets, nondepreciable.....	6,700,525	2,944,509	9,645,034
Capital assets, net of accumulated depreciation.....	245,701,518	128,030,330	373,731,848
Total noncurrent assets.....	<u>253,679,780</u>	<u>130,974,839</u>	<u>384,654,619</u>
TOTAL ASSETS.....	<u>403,771,327</u>	<u>148,400,240</u>	<u>552,171,567</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	801,312	-	801,312
Deferred outflows related to pensions.....	9,414,346	522,629	9,936,975
Deferred outflows related to other postemployment benefits....	63,427,745	1,628,460	65,056,205
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>73,643,403</u>	<u>2,151,089</u>	<u>75,794,492</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	6,174,344	3,135,040	9,309,384
Accrued payroll.....	1,224,968	-	1,224,968
Health claims payable.....	124,600	-	124,600
Tax refunds payable.....	73,000	-	73,000
Due to Commonwealth.....	75,000	-	75,000
Accrued interest.....	949,594	635,796	1,585,390
Liabilities due depositors.....	615,727	-	615,727
Other liabilities.....	6,542,388	-	6,542,388
Unearned revenue.....	199,644	-	199,644
Compensated absences.....	6,032,000	192,000	6,224,000
Notes payable.....	2,000,000	11,368,061	13,368,061
Bonds payable.....	12,463,021	5,026,570	17,489,591
Total current liabilities.....	<u>36,474,286</u>	<u>20,357,467</u>	<u>56,831,753</u>
NONCURRENT:			
Due to Commonwealth.....	1,653,004	-	1,653,004
Compensated absences.....	12,266,000	53,000	12,319,000
Net pension liability.....	183,745,974	10,200,499	193,946,473
Net OPEB liability.....	575,782,770	14,782,785	590,565,555
Bonds payable.....	74,266,790	56,812,562	131,079,352
Total noncurrent liabilities.....	<u>847,714,538</u>	<u>81,848,846</u>	<u>929,563,384</u>
TOTAL LIABILITIES.....	<u>884,188,824</u>	<u>102,206,313</u>	<u>986,395,137</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	17,740,148	984,829	18,724,977
Deferred inflows related to other postemployment benefits....	13,785,374	353,929	14,139,303
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>31,525,522</u>	<u>1,338,758</u>	<u>32,864,280</u>
NET POSITION			
Net investment in capital assets.....	184,654,254	57,767,646	242,421,900
Restricted for:			
Fiscal stability.....	4,685,830	-	4,685,830
Capital reserve.....	1,488,637	-	1,488,637
Loans.....	1,277,737	-	1,277,737
Permanent funds:			
Expendable.....	459,779	-	459,779
Nonexpendable.....	1,861,430	-	1,861,430
Other specific purposes.....	17,825,660	-	17,825,660
Unrestricted.....	(650,552,943)	(10,761,388)	(661,314,331)
TOTAL NET POSITION.....	<u>\$ (438,299,616)</u>	<u>\$ 47,006,258</u>	<u>\$ (391,293,358)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 12,976,716	\$ 622,266	\$ 12,142,210	\$ 369,440	\$ 157,200
Public safety.....	48,660,492	5,895,546	3,416,335	-	(39,348,611)
Education.....	337,663,722	5,299	278,801,820	2,164,626	(56,691,977)
Public works.....	13,106,730	276,396	2,457,536	29,735	(10,343,063)
Human services.....	1,059,781	-	263,578	-	(796,203)
Culture and recreation.....	1,041,390	36,581	215,527	-	(789,282)
COVID-19.....	2,965,465	-	6,177,491	-	3,212,026
Interest.....	1,462,251	-	927,927	-	(534,324)
Total Governmental Activities.....	<u>418,936,547</u>	<u>6,836,088</u>	<u>304,402,424</u>	<u>2,563,801</u>	<u>(105,134,234)</u>
<i>Business-Type Activities:</i>					
Water and sewer.....	19,438,983	18,561,906	234,347	-	(642,730)
Airport.....	819,687	626,691	-	22,378	(170,618)
Parking.....	1,409,594	516,481	-	-	(893,113)
Total Business-Type Activities.....	<u>21,668,264</u>	<u>19,705,078</u>	<u>234,347</u>	<u>22,378</u>	<u>(1,706,461)</u>
Total Primary Government.....	<u>\$ 440,604,811</u>	<u>\$ 26,541,166</u>	<u>\$ 304,636,771</u>	<u>\$ 2,586,179</u>	<u>\$ (106,840,695)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (105,134,234)	\$ (1,706,461)	\$ (106,840,695)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	73,208,520	-	73,208,520
Tax liens.....	549,092	752	549,844
Motor vehicle and other excise taxes.....	6,975,638	-	6,975,638
Penalties and interest on taxes.....	784,902	100,528	885,430
Payments in lieu of taxes.....	509,981	-	509,981
Grants and contributions not restricted to specific programs.....	22,546,870	-	22,546,870
Unrestricted investment income.....	1,954,680	-	1,954,680
Miscellaneous.....	6,951	-	6,951
Transfers, net	(265,855)	265,855	-
Extraordinary item - gas disaster reimbursements....	2,028,240	-	2,028,240
Extraordinary item - gas disaster expenses	(6,251,095)	-	(6,251,095)
 Total general revenues, transfers and extraordinary items.....	 102,047,924	 367,135	 102,415,059
 Change in net position.....	 (3,086,310)	 (1,339,326)	 (4,425,636)
<i>Net position:</i>			
Beginning of year.....	(435,213,306)	48,345,584	(386,867,722)
End of year.....	\$ (438,299,616)	\$ 47,006,258	\$ (391,293,358)

See notes to basic financial statements.

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2020

	General	Capital Reserve	Capital Projects	Gas Disaster Paving Restoration	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 61,947,819	\$ 1,497,599	\$ 25,540,454	\$ 28,865,585	\$ 199,644	\$ 12,533,966	\$ 130,585,067
Investments.....	-	-	-	-	-	57,921	57,921
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	1,884,014	-	-	-	-	-	1,884,014
Motor vehicle and other excise taxes.....	2,055,932	-	-	-	-	-	2,055,932
Intergovernmental.....	3,823,000	-	-	-	-	8,690,499	12,513,499
Loans.....	-	-	-	-	-	1,277,737	1,277,737
TOTAL ASSETS	\$ 69,710,765	\$ 1,497,599	\$ 25,540,454	\$ 28,865,585	\$ 199,644	\$ 22,560,123	\$ 148,374,170
LIABILITIES							
Warrants payable.....	\$ 1,731,364	\$ 8,962	\$ 1,969,789	\$ -	\$ -	\$ 2,348,502	\$ 6,058,617
Accrued payroll.....	1,224,968	-	-	-	-	-	1,224,968
Tax refunds payable.....	73,000	-	-	-	-	-	73,000
Other liabilities.....	6,542,388	-	-	-	-	-	6,542,388
Unearned revenue.....	-	-	-	-	199,644	-	199,644
Liabilities due depositors.....	-	-	-	-	-	615,727	615,727
Notes payable.....	-	-	2,000,000	-	-	-	2,000,000
TOTAL LIABILITIES	9,571,720	8,962	3,969,789	-	199,644	2,964,229	16,714,344
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue.....	6,992,856	-	-	-	-	307,039	7,299,895
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	1,861,430	1,861,430
Restricted.....	4,685,830	1,488,637	21,570,665	28,865,585	-	17,825,660	74,436,377
Assigned.....	13,276,499	-	-	-	-	-	13,276,499
Unassigned.....	35,183,860	-	-	-	-	(398,235)	34,785,625
TOTAL FUND BALANCES	53,146,189	1,488,637	21,570,665	28,865,585	-	19,288,855	124,359,931
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 69,710,765	\$ 1,497,599	\$ 25,540,454	\$ 28,865,585	\$ 199,644	\$ 22,560,123	\$ 148,374,170

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$ 124,359,931
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	252,402,043
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	7,299,895
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	42,117,881
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	2,754,787
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(949,594)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: Bonds payable.....	(86,729,811)
Net pension liability.....	(183,745,974)
Net OPEB liability.....	(575,782,770)
Due to Commonwealth.....	(1,728,004)
Compensated absences.....	<u>(18,298,000)</u>
Net effect of reporting long-term liabilities.....	<u>(866,284,559)</u>
Net position of governmental activities.....	<u>\$ (438,299,616)</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2020

	General	Capital Reserve	Capital Projects	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ 72,886,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,886,549
Tax liens.....	1,129,878	-	-	-	-	-	-	1,129,878
Motor vehicle and other excise taxes.....	6,493,450	-	-	-	-	-	-	6,493,450
Penalties and interest on taxes.....	784,902	-	-	-	-	-	-	784,902
Payments in lieu of taxes.....	509,981	-	-	-	-	-	-	509,981
Licenses and permits.....	1,791,538	-	-	-	-	-	-	1,791,538
Fines and forfeitures.....	470,877	-	-	-	-	-	-	470,877
Intergovernmental - Teachers Retirement.....	39,890,794	-	-	-	-	-	-	39,890,794
Intergovernmental.....	231,999,917	-	2,164,626	-	-	-	48,775,291	282,939,834
Intergovernmental - COVID-19 relief.....	-	-	-	-	-	-	6,177,491	6,177,491
Departmental and other.....	1,796,915	-	5,556	-	-	-	5,611,506	7,413,977
Contributions and donations.....	-	-	-	-	-	-	807,614	807,614
Investment income.....	1,878,675	-	-	-	-	-	76,005	1,954,680
Miscellaneous.....	-	-	-	-	-	-	384,109	384,109
TOTAL REVENUES.....	359,633,476	-	2,170,182	-	-	-	61,832,016	423,635,674
EXPENDITURES:								
Current:								
General government.....	6,893,811	111,363	1,374,889	-	-	-	10,514,574	18,894,637
Public safety.....	29,664,715	830,157	466,913	-	-	-	5,939,438	36,901,223
Education.....	183,303,609	1,196	5,281,523	-	-	-	31,559,622	220,145,950
Public works.....	13,433,455	320,888	6,275,393	-	-	-	3,232,594	23,262,330
Human services.....	946,757	-	-	-	-	-	249,232	1,195,989
Culture and recreation.....	1,299,393	-	-	-	-	-	190,493	1,489,886
COVID-19.....	-	-	-	-	-	-	6,177,491	6,177,491
Pension benefits.....	9,762,202	-	-	-	-	-	-	9,762,202
Pension benefits - Teachers Retirement.....	39,890,794	-	-	-	-	-	-	39,890,794
Employee benefits.....	16,000,905	-	-	-	-	-	-	16,000,905
State and county charges.....	29,601,274	-	-	-	-	-	-	29,601,274
Debt service:								
Principal.....	8,795,000	-	-	-	-	-	-	8,795,000
Principal payment on current refunding - deficit borrowing.....	17,727,710	-	-	-	-	-	-	17,727,710
Principal payment on current refunding.....	900,000	-	-	-	-	-	-	900,000
Interest.....	2,331,108	-	-	-	-	-	-	2,331,108
TOTAL EXPENDITURES.....	360,550,733	1,263,604	13,398,718	-	-	-	57,863,444	433,076,499
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(917,257)	(1,263,604)	(11,228,536)	-	-	-	3,968,572	(9,440,825)
OTHER FINANCING SOURCES (USES):								
Issuance of bonds.....	-	-	18,242,500	-	-	-	-	18,242,500
Issuance of current refunding - deficit borrowing.....	16,357,710	-	-	-	-	-	-	16,357,710
Issuance of current refunding bonds.....	782,500	-	-	-	-	-	-	782,500
Premium from issuance of bonds.....	-	-	1,571,752	-	-	-	-	1,571,752
Premium from issuance of refunding bonds.....	147,795	-	-	-	-	-	-	147,795
Transfers in.....	-	1,686,801	4,116,560	-	-	-	584,129	6,387,490
Transfers out.....	(2,196,785)	-	(635,000)	-	(3,821,560)	-	-	(6,653,345)
TOTAL OTHER FINANCING SOURCES (USES).....	15,991,220	1,686,801	23,295,812	-	(3,821,560)	-	584,129	36,636,402
EXTRAORDINARY ITEMS:								
Gas disaster reimbursements.....	-	-	-	-	-	2,028,240	-	2,028,240
Gas disaster expenditures.....	-	-	-	(3,044,415)	(1,178,440)	(2,028,240)	-	(6,251,095)
TOTAL EXTRAORDINARY ITEMS.....	-	-	-	(3,044,415)	(1,178,440)	-	-	(4,222,855)
NET CHANGE IN FUND BALANCES.....	14,173,963	423,197	12,067,276	(3,044,415)	(5,000,000)	-	4,552,701	23,172,722
FUND BALANCES AT BEGINNING OF YEAR.....	38,972,226	1,065,440	9,503,389	31,910,000	5,000,000	-	14,736,154	101,187,209
FUND BALANCES AT END OF YEAR.....	\$ 53,146,189	\$ 1,488,637	\$ 21,570,665	\$ 28,865,585	\$ -	\$ -	\$ 19,288,855	\$ 124,359,931

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$ 23,172,722
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	28,666,328
Depreciation expense.....	<u>(9,411,174)</u>
Net effect of reporting capital assets.....	19,255,154
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>	
	(3,296,727)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>	
Issuance of bonds.....	(18,242,500)
Issuance of current refunding - deficit borrowing.....	(16,357,710)
Issuance of refunding bonds.....	(782,500)
Premium from issuance of bonds.....	(1,571,752)
Premium from issuance of refunding bonds.....	(147,795)
Net amortization of premium from issuance of bonds.....	1,135,768
Net change in deferred charge on refunding.....	(324,833)
Debt service principal payments.....	8,795,000
Debt service principal payments on current refunding - deficit borrowing.....	17,727,710
Debt service principal payments on current refunding.....	<u>900,000</u>
Net effect of reporting long-term debt.....	(8,868,612)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	(1,002,000)
Net change in accrued interest on long-term debt.....	57,922
Net change in deferred outflow/(inflow) of resources related to pensions.....	(16,452,751)
Net change in net pension liability.....	17,463,993
Net change in deferred outflow/(inflow) of resources related to OPEB.....	(5,942,943)
Net change in net OPEB liability.....	(27,834,184)
Net change in due to Commonwealth.....	<u>50,000</u>
Net effect of recording long-term liabilities.....	(33,659,963)
The net activity of internal service funds is reported with Governmental Activities.....	<u>311,116</u>
Change in net position of governmental activities.....	<u>\$ (3,086,310)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Water and Sewer	Airport	Parking	Total	Governmental Activities - Internal Service Fund
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 9,003,939	\$ 675,340	\$ 143,456	\$ 9,822,735	\$ 2,825,214
Receivables, net of allowance for uncollectibles:					
Liens - user charges.....	95,838	-	-	95,838	-
User charges.....	7,500,242	-	-	7,500,242	-
Departmental and other.....	-	6,586	-	6,586	-
Working capital deposit.....	-	-	-	-	169,900
Total current assets.....	<u>16,600,019</u>	<u>681,926</u>	<u>143,456</u>	<u>17,425,401</u>	<u>2,995,114</u>
NONCURRENT:					
Capital assets, nondepreciable.....	2,753,630	190,879	-	2,944,509	-
Capital assets, net of accumulated depreciation.....	<u>115,632,968</u>	<u>12,388,090</u>	<u>9,272</u>	<u>128,030,330</u>	<u>-</u>
Total noncurrent assets.....	<u>118,386,598</u>	<u>12,578,969</u>	<u>9,272</u>	<u>130,974,839</u>	<u>-</u>
TOTAL ASSETS	<u>134,986,617</u>	<u>13,260,895</u>	<u>152,728</u>	<u>148,400,240</u>	<u>2,995,114</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	377,316	44,188	101,125	522,629	-
Deferred outflows related to OPEB.....	<u>1,281,825</u>	<u>-</u>	<u>346,635</u>	<u>1,628,460</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,659,141</u>	<u>44,188</u>	<u>447,760</u>	<u>2,151,089</u>	<u>-</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	3,071,009	52,185	11,846	3,135,040	115,727
Health claims payable.....	-	-	-	-	124,600
Accrued interest.....	635,796	-	-	635,796	-
Compensated absences.....	134,000	17,000	41,000	192,000	-
Notes payable.....	11,368,061	-	-	11,368,061	-
Bonds payable.....	<u>5,026,570</u>	<u>-</u>	<u>-</u>	<u>5,026,570</u>	<u>-</u>
Total current liabilities.....	<u>20,235,436</u>	<u>69,185</u>	<u>52,846</u>	<u>20,357,467</u>	<u>240,327</u>
NONCURRENT:					
Compensated absences.....	34,000	5,000	14,000	53,000	-
Net pension liability.....	7,364,314	862,439	1,973,746	10,200,499	-
Net OPEB liability.....	11,636,115	-	3,146,670	14,782,785	-
Bonds payable.....	<u>56,812,562</u>	<u>-</u>	<u>-</u>	<u>56,812,562</u>	<u>-</u>
Total noncurrent liabilities.....	<u>75,846,991</u>	<u>867,439</u>	<u>5,134,416</u>	<u>81,848,846</u>	<u>-</u>
TOTAL LIABILITIES	<u>96,082,427</u>	<u>936,624</u>	<u>5,187,262</u>	<u>102,206,313</u>	<u>240,327</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	711,003	83,266	190,560	984,829	-
Deferred inflows related to other postemployment benefits.....	<u>278,592</u>	<u>-</u>	<u>75,337</u>	<u>353,929</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>989,595</u>	<u>83,266</u>	<u>265,897</u>	<u>1,338,758</u>	<u>-</u>
NET POSITION					
Net investment in capital assets.....	45,179,405	12,578,969	9,272	57,767,646	-
Unrestricted.....	<u>(5,605,669)</u>	<u>(293,776)</u>	<u>(4,861,943)</u>	<u>(10,761,388)</u>	<u>2,754,787</u>
TOTAL NET POSITION	<u>\$ 39,573,736</u>	<u>\$ 12,285,193</u>	<u>\$ (4,852,671)</u>	<u>\$ 47,006,258</u>	<u>\$ 2,754,787</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Water and Sewer	Airport	Parking	Total	Governmental Activities - Internal Service Fund
OPERATING REVENUES:					
Employer and employee contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 2,309,756
Charges for services.....	18,561,906	626,691	516,481	19,705,078	-
Liens - charges for services.....	752	-	-	752	-
TOTAL OPERATING REVENUES	18,562,658	626,691	516,481	19,705,830	2,309,756
OPERATING EXPENSES:					
Cost of services and administration.....	11,935,509	260,021	827,426	13,022,956	-
Salaries and wages.....	3,283,547	274,953	577,063	4,135,563	-
Other operating expenses.....	19,262	-	-	19,262	-
Depreciation.....	3,226,915	284,713	5,105	3,516,733	-
Employee benefits.....	-	-	-	-	1,998,640
TOTAL OPERATING EXPENSES	18,465,233	819,687	1,409,594	20,694,514	1,998,640
OPERATING INCOME (LOSS)	97,425	(192,996)	(893,113)	(988,684)	311,116
NONOPERATING REVENUES (EXPENSES):					
Interest expense.....	(973,750)	-	-	(973,750)	-
Penalties and interest.....	100,528	-	-	100,528	-
Intergovernmental - subsidy.....	234,347	-	-	234,347	-
Intergovernmental - other.....	-	22,378	-	22,378	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(638,875)	22,378	-	(616,497)	-
INCOME (LOSS) BEFORE TRANSFERS	(541,450)	(170,618)	(893,113)	(1,605,181)	311,116
TRANSFERS:					
Transfers in.....	-	-	265,855	265,855	-
CHANGE IN NET POSITION	(541,450)	(170,618)	(627,258)	(1,339,326)	311,116
NET POSITION AT BEGINNING OF YEAR	40,115,186	12,455,811	(4,225,413)	48,345,584	2,443,671
NET POSITION AT END OF YEAR	\$ 39,573,736	\$ 12,285,193	\$ (4,852,671)	\$ 47,006,258	\$ 2,754,787

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Water and Sewer	Airport	Parking	Total	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 16,062,297	\$ 620,794	\$ 516,481	\$ 17,199,572	\$ 2,309,756
Payments to vendors.....	(11,752,702)	(238,192)	(497,236)	(12,488,130)	(1,758,313)
Payments to employees.....	(3,267,547)	(273,953)	(573,063)	(4,114,563)	-
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,042,048</u>	<u>108,649</u>	<u>(553,818)</u>	<u>596,879</u>	<u>551,443</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	-	-	265,855	265,855	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	16,933,389	-	-	16,933,389	-
Acquisition and construction of capital assets.....	(19,045,903)	-	-	(19,045,903)	-
Principal payments on bonds and notes.....	(4,338,150)	-	-	(4,338,150)	-
Interest expense.....	(808,389)	-	-	(808,389)	-
Intergovernmental revenue.....	-	22,378	-	22,378	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(7,259,053)</u>	<u>22,378</u>	-	<u>(7,236,675)</u>	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>(6,217,005)</u>	<u>131,027</u>	<u>(287,963)</u>	<u>(6,373,941)</u>	<u>551,443</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>15,220,944</u>	<u>544,313</u>	<u>431,419</u>	<u>16,196,676</u>	<u>2,273,771</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 9,003,939</u>	<u>\$ 675,340</u>	<u>\$ 143,456</u>	<u>\$ 9,822,735</u>	<u>\$ 2,825,214</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 97,425	\$ (192,996)	\$ (893,113)	\$ (988,684)	\$ 311,116
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	3,226,915	284,713	5,105	3,516,733	-
Deferred (outflows)/inflows related to pensions.....	669,272	77,873	177,157	924,302	-
Deferred (outflows)/inflows related to OPEB.....	195,217	-	14,048	209,265	-
Changes in assets and liabilities:					
User charges.....	(2,526,926)	-	-	(2,526,926)	-
Tax liens.....	26,565	-	-	26,565	-
Departmental and other.....	-	(5,897)	-	(5,897)	-
Warrants payable.....	459,788	42,023	3,298	505,109	115,727
Health claims payable.....	-	-	-	-	124,600
Compensated absences.....	16,000	1,000	4,000	21,000	-
Net pension liability.....	(944,236)	(98,067)	(198,105)	(1,240,408)	-
Net OPEB liability.....	(177,972)	-	333,792	155,820	-
Total adjustments.....	<u>944,623</u>	<u>301,645</u>	<u>339,295</u>	<u>1,585,563</u>	<u>240,327</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,042,048</u>	<u>\$ 108,649</u>	<u>\$ (553,818)</u>	<u>\$ 596,879</u>	<u>\$ 551,443</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital lease financing.....	\$ 234,347	\$ -	-	\$ 234,347	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,454,703	\$ 491,292	\$ 270,738
Investments:			
Investments in Pension Reserve Investment Trust.....	254,078,313	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	535,883	-	-
Other assets.....	11,733	-	-
TOTAL ASSETS	257,080,632	491,292	270,738
LIABILITIES			
Warrants payable.....	1,311,454	-	29,868
Liabilities due depositors.....	-	-	240,870
TOTAL LIABILITIES	1,311,454	-	270,738
NET POSITION			
Restricted for pensions.....	255,358,705	-	-
Restricted for other postemployment benefits.....	410,473	-	-
Held in trust for other purposes.....	-	491,292	-
TOTAL NET POSITION	\$ 255,769,178	\$ 491,292	\$ -

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

See notes to basic financial statements.

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 21,472,967	\$ -
Employer contributions for other postemployment benefit payments....	11,204,574	-
Member contributions.....	7,219,910	-
Transfers from other systems.....	470,255	-
3(8)c contributions from other systems.....	329,014	-
Workers compensation settlements.....	28,260	-
State COLA reimbursements.....	256,458	-
Member makeup payments and redeposits.....	25,874	-
Interest not refunded.....	8,761	-
 Total contributions.....	 41,016,073	 -
Net investment income:		
Investment income.....	36,521,871	6,784
Less: investment expense.....	(1,219,918)	-
 Net investment income (loss).....	 35,301,953	 6,784
 TOTAL ADDITIONS.....	 76,318,026	 6,784
DEDUCTIONS:		
Administration.....	486,756	-
Transfers to other systems.....	828,803	-
3(8)c transfer to other systems.....	1,338,958	-
Retirement benefits and refunds.....	27,657,635	-
Other postemployment benefit payments.....	11,204,574	-
Educational scholarships.....	-	102,922
 TOTAL DEDUCTIONS.....	 41,516,726	 102,922
 NET INCREASE (DECREASE) IN NET POSITION.....	 34,801,300	 (96,138)
 NET POSITION AT BEGINNING OF YEAR.....	 220,967,878	 587,430
 NET POSITION AT END OF YEAR.....	 \$ 255,769,178	 \$ 491,292

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

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and a nine member City Council.

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

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

The Lawrence Contributory Retirement System (System) was established to provide retirement benefits to City, Lawrence Housing Authority, Greater Lawrence Regional Vocational Technical High School, M.V.T.R.A employees, and their beneficiaries. The System is governed by the five-member board comprised of the City Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 354 Merrimack Street, Entry C, Lawrence, MA 01843.

Joint Ventures***Greater Lawrence Regional Technical Vocational School (GLRTVS)***

The City is a member of the GLRTVS that serves the members' students seeking an education in academic and technical. The GLRTVS is governed by a seven member school committee consisting of one elected representative from the City. The City is indirectly liable for the GLRTVS' debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2020, the City's assessment totaled \$2,888,657. Separate financial statements may be obtained by writing to the Treasurer of the GLRTVS at 57 River Road, Andover, MA 01810.

Greater Lawrence Sanitary District (GLSD)

GLSD operates a wastewater treatment plant for five member communities, of which the City is a member. The GLSD is governed by a seven member board consisting of one appointed representative from each member community. The City is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2020, the City's assessment totaled \$6,284,334. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation***Government-Wide Financial Statements***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in

the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *capital reserve fund* is a fund required to be established under *Chapter 58 of the Acts of 2010 – An Act Providing for the Financial Stability of the City of Lawrence*. Beginning in 2012, at least 1.5% of the amount of property taxes committed for the preceding year is to be reported in this fund.

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

As a result of the gas disaster that occurred in September 2018 (further described in Note 15), the City established three funds to account for activity directly associated with the event as well as restoration efforts and legal settlements. The three funds are used to account for the following:

- The *gas disaster paving restoration fund* is used to account for the settlement revenue Columbia Gas was ordered to pay the City to pay for the costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the disaster.
- The *gas disaster mitigation fund* is used to account for the mitigation fees received by the City.
- The *gas disaster reimbursement fund* is used to account for direct costs incurred at the time of the disaster, which have been submitted to Columbia Gas for reimbursement.

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

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

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

Water and sewer enterprise fund is used to account for water and sewer activities.

Airport enterprise fund is used to account for the airport activities.

Parking enterprise fund is used to account for the off-street parking garages and lots.

Additionally, the *internal service fund* is reported as a proprietary fund type, which is designed to account for the financing of services provided by one department to other departments or governmental units. The internal service fund is used to account for risk financing activities related to self-insured dental insurance programs.

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

The following fiduciary fund types are reported:

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

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

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

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

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water

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

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

Sewer

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

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

Departmental and Other

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

Intergovernmental

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

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

Loans

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

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

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

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

H. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

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

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

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings and improvements.....	20-40
Machinery and equipment.....	5
Vehicles.....	5
Infrastructure.....	30-75

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been "restricted for" the following:

"Fiscal stability" represents amounts accumulated that can be used for unforeseen expenditures pursuant to Chapter 41 of the Acts of 1990, as amended by Chapter 377 of the Acts of 1992. This amount is equal to 1.5% of the prior year's amount to be raised.

"Capital Reserve" represents amounts accumulated that can be used only for capital purposes for which the City could borrow for 10 years or longer under Chapter 44 of the General Laws. This reserve was established under the Chapter 58 of the Acts of 2010 and began in 2012. Under the Act the City is required to appropriate into the reserve fund at least 1.5% of the amount of property taxes committed for the preceding year.

"Loans" represents home and community development outstanding loans receivable balances.

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

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

"Other specific purposes" represents restrictions placed on assets from outside parties such as federal and state grants.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

N. Pensions

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

O. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

S. Individual Fund Deficits

There are several individual fund deficits within the Special Revenue and Capital Project funds. These deficits will be funded through grants, bond proceeds, and available fund balances.

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

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 government does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$57,719,580 and the bank balance totaled \$64,934,753. Of the bank balance, \$1,689,344 was covered by Federal Depository Insurance, \$188,412 was covered by DIF Insurance, \$38,574,625 was collateralized, and \$24,482,372 was uncollateralized.

At December 31, 2019, carrying amount of deposits for the System totaled \$2,044,230 and the bank balance totaled \$2,248,083. Out of the bank balance, \$1,244,509 was covered by Federal Depository Insurance and \$1,003,574 of the funds were uncollateralized.

Investments

As of June 30, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>
		<u>Over 10 Years</u>
<u>Debt securities:</u>		
Corporate bonds.....	\$ 57,921	\$ <u>57,921</u>
<u>Other investments:</u>		
Money market mutual funds.....	88,824	
MMDT - Cash portfolio.....	<u>86,597,115</u>	
Total investments.....	\$ <u>86,743,860</u>	

As of December 31, 2019, the System had \$254,078,313 invested in the Pension Reserve Investment Trust (PRIT).

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.14 to 16.03 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the City's investments, the \$57,921 in corporate bonds have custodial credit risk exposure because the related securities are uninsured, unregistered and are not held in the City's name.

Interest Rate Risk

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

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

Credit Risk

The City has not adopted a formal policy related to credit risk. At June 30, 2020, all of the City's investments were rated BBB+ using the S&P's rating scale.

The System has not adopted a formal policy related to credit risk. At December 31, 2019 the System does not have any rated investments.

Concentration of Credit Risk

The City has not adopted a formal policy related to the amount that may be invested in any one issuer. At June 30, 2020, the City's investment in any one issuer did not exceed 5% of the total amount invested.

The System has not adopted a formal policy related to the amount that may be invested in any one issuer. At December 31, 2019, the System's investment in any one issuer did not exceed 5% of the total amount invested.

Fair Market Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2020, that the City measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2020	Fair Value Measurements Using				
		Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)		
Investments measured at fair value:						
<i>Debt securities:</i>						
Corporate bonds.....	\$ 57,921	\$ -	\$ 57,921	\$ -		
<i>Other investments:</i>						
Money market mutual funds.....	88,824	88,824	-	-		
Total investments measured at fair value.....	146,745	88,824	\$ 57,921	\$ -		
Investments measured at amortized cost:						
MMDT - Cash portfolio.....	86,597,115					
Total investments.....	\$ 86,743,860					

Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Retirement System

The retiree pension defined benefit plan holds significant amounts of investments that are measured at net asset value on a recurring basis.

As of December 31, 2019, the System had \$254,078,313 invested in PRIT. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

At June 30, 2020, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes.....	\$ 2,686,027	\$ (802,013)	\$ 1,884,014
Motor vehicle and other excise taxes.....	3,420,045	(1,364,113)	2,055,932
Intergovernmental.....	12,513,499	-	12,513,499
Loans.....	1,277,737	-	1,277,737
Total.....	\$ 19,897,308	\$ (2,166,126)	\$ 17,731,182

At June 30, 2020, receivables for the business type enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Liens.....	\$ 95,838	\$ -	\$ 95,838
User charges.....	7,500,242	-	7,500,242
Departmental and other.....	6,586	-	6,586
Total.....	\$ 7,602,666	\$ -	\$ 7,602,666

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

	General Fund	Other Governmental Funds	Total
Receivables:			
Real estate and personal property taxes.....	\$ 1,113,924	\$ -	\$ 1,113,924
Motor vehicle and other excise taxes.....	2,055,932	-	2,055,932
Intergovernmental.....	3,823,000	307,039	4,130,039
Total.....	\$ 6,992,856	\$ 307,039	\$ 7,299,895

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land.....	\$ 6,700,525	\$ -	\$ -	\$ 6,700,525
Capital assets being depreciated:				
Buildings and improvements.....	290,423,207	6,853,901	-	297,277,108
Machinery and equipment.....	27,374,239	3,313,561	(1,634,546)	29,053,254
Vehicles.....	7,232,819	2,313,242	(687,335)	8,858,726
Infrastructure.....	36,336,174	16,185,624	-	52,521,798
Total capital assets being depreciated.....	361,366,439	28,666,328	(2,321,881)	387,710,886
Less accumulated depreciation for:				
Buildings and improvements.....	(96,673,530)	(7,230,506)	-	(103,904,036)
Machinery and equipment.....	(24,534,441)	(534,391)	1,634,546	(23,434,286)
Vehicles.....	(4,442,040)	(535,552)	687,335	(4,290,257)
Infrastructure.....	(9,270,064)	(1,110,725)	-	(10,380,789)
Total accumulated depreciation.....	(134,920,075)	(9,411,174)	2,321,881	(142,009,368)
Total capital assets being depreciated, net.....	226,446,364	19,255,154	-	245,701,518
Total governmental activities capital assets, net.....	\$ 233,146,889	\$ 19,255,154	\$ -	\$ 252,402,043

Water and Sewer Activity:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,335	\$ -	\$ -	\$ 9,335
Construction in progress.....	2,548,906	2,744,295	(2,548,906)	2,744,295
Total capital assets not being depreciated....	2,558,241	2,744,295	(2,548,906)	2,753,630
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	6,164,913	-	-	6,164,913
Machinery and equipment.....	2,342,073	-	(388,708)	1,953,365
Vehicles.....	2,117,336	541,032	(119,670)	2,538,698
Infrastructure.....	113,550,974	18,309,482	(506,611)	131,353,845
Total capital assets being depreciated.....	124,175,296	18,850,514	(1,014,989)	142,010,821
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(3,017,851)	(94,111)	-	(3,111,962)
Machinery and equipment.....	(1,243,627)	(241,032)	388,708	(1,095,951)
Vehicles.....	(1,529,171)	(226,612)	119,670	(1,636,113)
Infrastructure.....	(18,375,278)	(2,665,160)	506,611	(20,533,827)
Total accumulated depreciation.....	(24,165,927)	(3,226,915)	1,014,989	(26,377,853)
Total capital assets being depreciated, net.....	100,009,369	15,623,599	-	115,632,968
Total water and sewer activities capital assets, net. \$	102,567,610	\$ 18,367,894	\$ (2,548,906)	\$ 118,386,598
Airport Activity:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 190,879	\$ -	\$ -	\$ 190,879
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	112,628	-	-	112,628
Machinery and equipment.....	44,364	-	-	44,364
Vehicles.....	155,056	-	-	155,056
Infrastructure.....	13,236,459	-	-	13,236,459
Total capital assets being depreciated.....	13,548,507	-	-	13,548,507
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(112,628)	-	-	(112,628)
Machinery and equipment.....	(17,745)	(8,873)	-	(26,618)
Vehicles.....	(155,056)	-	-	(155,056)
Infrastructure.....	(590,275)	(275,840)	-	(866,115)
Total accumulated depreciation.....	(875,704)	(284,713)	-	(1,160,417)
Total capital assets being depreciated, net.....	12,672,803	(284,713)	-	12,388,090
Total airport activities capital assets, net..... \$	12,863,682	\$ (284,713)	\$ -	\$ 12,578,969

Parking Activity:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 220,864	\$ -	\$ -	\$ 220,864
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(206,487)	(5,105)	-	(211,592)
Total municipal parking activities capital assets, net	\$ 14,377	\$ (5,105)	\$ -	\$ 9,272

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

Governmental Activities:

General government.....	\$ 818,701
Public safety.....	760,364
Education.....	6,340,673
Public works.....	1,413,853
Human services.....	72,900
Library.....	4,683
 Total depreciation expense - governmental activities.....	 \$ 9,411,174

Business-Type Activities:

Water and sewer.....	\$ 3,226,915
Airport.....	284,713
Parking.....	5,105
 Total depreciation expense - business-type activities.....	 \$ 3,516,733

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

	Transfers In:				
	Capital reserve fund	Capital projects fund	Nonmajor governmental funds	Parking Enterprise fund	Total
Transfers Out:					
General fund.....	\$ 1,051,801	\$ 295,000	\$ 584,129	\$ 265,855	\$ 2,196,785 (1)
Capital projects fund.....	635,000	-	-	-	635,000 (2)
Gas Mitigation Fund.....	-	3,821,560	-	-	3,821,560 (3)
 Total.....	 \$ 1,686,801	 \$ 4,116,560	 \$ 584,129	 \$ 265,855	 \$ 6,653,345

- 1.) Budgeted transfers from the general fund to the Capital Reserve Fund, capital project funds, parking enterprise fund, as well as to various nonmajor governmental funds for grant matching purposes.
- 2.) Voted transfer from the capital projects fund to the Capital Reserve Fund.
- 3.) Represents a transfer of funds from the Gas Mitigation Fund to a Columbia Gas Reserve Account in the capital projects fund.

NOTE 6 - SHORT-TERM FINANCING

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

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

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

As of June 30, 2020, the City has the following outstanding short-term debt:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
Governmental Funds:							
BAN	Bond anticipation note.....	1.15%	06/25/21	\$ _____ -	\$ 2,000,000	\$ _____ -	\$ 2,000,000
Enterprise Funds:							
BAN	MCWT Interim Loan.....	0.00%	On demand	\$ 8,227,922	\$ 3,140,139	\$ _____ -	\$ 11,368,061
Total Governmental and Enterprise Funds.....				\$ 8,227,922	\$ 5,140,139	\$ _____ -	\$ 13,368,061

The City entered into an interim loan with the Massachusetts Clean Water Trust (MCWT) in 2016 totaling \$25,942,532. As of June 30, 2020, the City has incurred \$11,368,061 of eligible construction costs related to the project and has received the corresponding loan proceeds and principal forgiveness grant proceeds from MCWT.

NOTE 7 - LONG-TERM DEBT

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

In 2010, the City issued \$27.4 million of deficit borrowing notes to fund cumulative fiscal 2008-2010 estimated deficits, and to balance the City's budget in 2011. Since 2012, the City has budgeted and paid a principal paydown amount each year in the general fund and issues new notes to pay off the remaining outstanding balance. The new notes are a current refunding since the City has reported these series of one-year notes as long-term debt.

At June 30, 2019 there were two notes outstanding for a total of \$17,727,710. In September 2019, the City issued a \$16,357,710 deficit borrowing note, due on September 1, 2020, where the proceeds and the principal paydown were used to redeem the notes totaling \$17,727,710.

On September 1, 2020 the City refunded the \$16,357,710 of deficit borrowing notes by retiring \$1,405,000 of the notes with available funds and issuing \$14,952,710 of current refunding deficit borrowing notes due on September 1, 2021.

In order to take advantage of favorable interest rates, the City issued \$782,500 of general obligation refunding bonds as part of a \$19,025,000 municipal purpose issuance on June 25, 2020. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$900,000 and became callable on August 5, 2020. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$136,000.

Details related to the outstanding indebtedness as at June 30, 2020, and the debt service requirements are shown as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2015.....	2045	\$ 8,050,000	3.0 - 4.0%	\$ 6,925,000
Municipal Purpose Bonds of 2016 - refunding...	2027	19,885,000	3.0 - 5.0%	13,695,000
Municipal Purpose Bonds of 2017.....	2037	2,499,000	2.0 - 4.0%	1,840,000
Municipal Purpose Bonds of 2017 - refunding...	2025	23,450,000	2.0 - 5.0%	8,975,000
Municipal Purpose Bonds of 2018.....	2038	9,295,000	3.5 - 4.0%	7,975,000
Municipal Purpose Bonds of 2019.....	2039	7,675,000	3.0 - 4.0%	7,090,000
Municipal Purpose Bonds of 2020.....	2040	19,025,000	2.0 - 5.0%	<u>19,025,000</u>
Subtotal Governmental General Obligation Bonds Payable.....				<u>65,525,000</u>
Current Refunding - Deficit borrowing.....	2021	\$ 16,357,710	1.75%	<u>16,357,710</u>
Subtotal Governmental Bonds Payable.....				<u>81,882,710</u>
Add: Unamortized premium on bonds.....				<u>4,847,101</u>
Total Bonds Payable, net.....				<u>\$ 86,729,811</u>

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

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2021.....	\$ 11,545,000	\$ 2,925,222	\$ 14,470,222
2022.....	20,582,710	2,512,632	23,095,342
2023.....	5,700,000	2,216,370	7,916,370
2024.....	5,660,000	1,914,988	7,574,988
2025.....	5,700,000	1,612,801	7,312,801
2026.....	4,800,000	1,309,438	6,109,438
2027.....	3,900,000	1,021,976	4,921,976
2028.....	2,585,000	816,501	3,401,501
2029.....	2,410,000	702,426	3,112,426
2030.....	1,960,000	596,151	2,556,151
2031.....	1,795,000	516,620	2,311,620
2032.....	1,790,000	448,539	2,238,539
2033.....	1,790,000	397,870	2,187,870
2034.....	1,740,000	346,507	2,086,507
2035.....	1,715,000	297,600	2,012,600
2036.....	1,615,000	248,852	1,863,852
2037.....	1,530,000	201,952	1,731,952
2038.....	1,490,000	157,428	1,647,428
2039.....	1,185,000	113,126	1,298,126
2040.....	1,015,000	78,756	1,093,756
2041.....	275,000	49,500	324,500
2042.....	275,000	38,500	313,500
2043.....	275,000	27,500	302,500
2044.....	275,000	16,500	291,500
2045.....	275,000	5,500	280,500
Total.....	\$ 81,882,710	\$ 18,573,255	\$ 100,455,965

The Commonwealth has approved school construction assistance for the City. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for construction costs and debt service interest of general obligation school bonds outstanding. During 2020, \$3,823,361 of such assistance was received. Approximately \$5,522,000 will be received in future years. Of this amount, approximately \$1,699,000 represents reimbursement of long-term interest costs, and \$3,823,000 represents reimbursement of approved construction costs. Accordingly, a \$3,823,000 intergovernmental receivable and corresponding unavailable revenue has been recorded in the fund based financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
General Obligation Bonds Payable				
Municipal Purpose Bonds of 2016.....	2036	\$ 5,400,000	2.5 - 5.0%	\$ 4,320,000
Municipal Purpose Bonds of 2017.....	2037	3,000,000	2.0 - 4.0%	2,550,000
Subtotal General Obligation Bonds Payable.....				
Direct Borrowings Payable				
MCWT.....	2040	\$ 85,636,564	2.00%	<u>54,969,132</u>
Total Bonds Payable, net.....				
\$ 61,839,132				

Debt service requirements for principal and interest for the water and sewer enterprise fund bonds payable are as follows:

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2021.....	\$ 420,000	\$ 234,399	\$ 654,399
2022.....	420,000	214,901	634,901
2023.....	420,000	195,402	615,402
2024.....	420,000	175,901	595,901
2025.....	420,000	156,400	576,400
2026.....	420,000	136,901	556,901
2027.....	420,000	122,902	542,902
2028.....	420,000	109,052	529,052
2029.....	420,000	96,451	516,451
2030.....	420,000	85,349	505,349
2031.....	420,000	74,249	494,249
2032.....	420,000	62,506	482,506
2033.....	420,000	49,886	469,886
2034.....	420,000	36,337	456,337
2035.....	420,000	22,452	442,452
2036.....	420,000	8,500	428,500
2037.....	150,000	2,250	152,250
Total.....	<u>\$ 6,870,000</u>	<u>\$ 1,783,838</u>	<u>\$ 8,653,838</u>

Year	Direct Borrowings:		
	Principal	Interest	Total
2021.....	\$ 4,606,570	\$ 1,178,394	\$ 5,784,964
2022.....	3,944,237	1,059,358	5,003,595
2023.....	4,038,342	957,232	4,995,574
2024.....	4,133,916	852,441	4,986,357
2025.....	4,221,001	745,188	4,966,189
2026.....	3,534,617	655,083	4,189,700
2027.....	2,871,447	589,850	3,461,297
2028.....	2,719,199	532,747	3,251,946
2029.....	2,778,067	476,545	3,254,612
2030.....	2,546,809	422,320	2,969,129
2031.....	2,601,992	370,117	2,972,109
2032.....	2,551,810	317,844	2,869,654
2033.....	2,607,270	265,498	2,872,768
2034.....	2,663,937	212,019	2,875,956
2035.....	2,721,839	157,381	2,879,220
2036.....	2,150,920	109,095	2,260,015
2037.....	1,626,437	77,081	1,703,518
2038.....	864,646	44,369	909,015
2039.....	883,438	26,887	910,325
2040.....	902,638	9,025	911,663
Total.....	\$ 54,969,132	\$ 9,058,474	\$ 64,027,606

The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$366,572 and interest costs for \$295,213. Thus, net MCWT loan repayments, including interest, are scheduled to be \$4,163,014. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed.

Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2020 principal and interest subsidies totaled \$234,347 and \$165,089, respectively.

Authorized and Unissued Debt

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the City had the following authorized and unissued debt:

Purpose	Amount
Water.....	\$ 3,034,816
Sewer.....	3,652,464
Water & Sewer Capital Improvements.....	15,301,107
School Boilers and Roof Replacement.....	6,850,000
School Feasibility Studies.....	5,200,000
Deficit Financing.....	16,357,710
Total.....	\$ 50,396,097

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term general obligation bonds payable.....	\$ 56,195,000	\$ 19,025,000	\$ (9,695,000)	\$ 65,525,000	\$ 10,140,000
Long-term deficit borrowing payable.....	17,727,710	16,357,710	(17,727,710)	16,357,710	1,405,000
Add: Unamortized premium on bonds.....	4,263,322	1,592,006	(1,008,227)	4,847,101	918,021
Total bonds payable.....	78,186,032	36,974,716	(28,430,937)	86,729,811	12,463,021
Due to Commonwealth.....	1,778,004	-	(50,000)	1,728,004	75,000
Compensated absences.....	17,296,000	6,643,000	(5,641,000)	18,298,000	6,032,000
Net pension liability.....	201,209,967	706,901	(18,170,894)	183,745,974	-
Net OPEB liability.....	547,948,586	38,855,786	(11,021,602)	575,782,770	-
 Total governmental activity long-term liabilities.....	 \$ 846,418,589	 \$ 83,180,403	 \$ (63,314,433)	 \$ 866,284,559	 \$ 18,570,021
 Business-Type Activities:					
Long-term general obligation bonds payable.....	\$ 7,290,000	\$ -	\$ (420,000)	\$ 6,870,000	\$ 420,000
Long-term direct borrowing payable.....	58,887,282	-	(3,918,150)	54,969,132	4,606,570
Total bonds payable.....	66,177,282	-	(4,338,150)	61,839,132	5,026,570
Compensated absences.....	224,000	141,000	(173,000)	192,000	192,000
Net pension liability.....	11,440,907	230,437	(1,470,845)	10,200,499	-
Net OPEB liability.....	14,626,965	438,791	(282,971)	14,782,785	-
 Total business-type activity long-term liabilities.....	 \$ 92,469,154	 \$ 810,228	 \$ (6,264,966)	 \$ 87,014,416	 \$ 5,218,570

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable. In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The City has established

stabilization funds for legal services, compensated absences, workers compensation, and injured on duty reserve, the balances of which totaled \$65,000, \$106,000, \$206,000, and \$220,000 at year end, respectively.

In accordance with Chapter 41 of the Acts of 1990, the City is required to maintain a reserve fund in an amount equal to 1.5% of the gross amount to be raised for the prior fiscal year for the general operating fund as appearing on the City's tax rate recapitulation for such prior year. This reserve is maintained as a reservation of fund balance in the General Fund. As of June 30, 2020, the Fiscal Stability Reserve Fund balance was \$4,685,830.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Capital Reserve Fund	Gas Disaster Paving Restoration	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 1,861,430	\$ 1,861,430
Restricted for:					
Capital Reserve Chp. 58 of the Acts of 2010.....	-	1,488,637	-	-	1,488,637
Gas disaster paving restoration.....	-	-	28,865,585	-	28,865,585
Capital projects.....	-	-	-	21,570,665	21,570,665
City revolving fund.....	-	-	-	1,627,266	1,627,266
City federal grant funds.....	-	-	-	2,928,625	2,928,625
City other funds.....	-	-	-	3,214,190	3,214,190
School lunch.....	-	-	-	6,397,175	6,397,175
School state grants.....	-	-	-	1,473,196	1,473,196
School other funds.....	-	-	-	1,725,429	1,725,429
Expendable permanent funds.....	-	-	-	459,779	459,779
Fiscal Stability Chp. 41 of the Acts of 1990.....	4,685,830	-	-	-	4,685,830
Assigned to:					
Encumbrances:					
General government.....	473,299	-	-	-	473,299
Public safety.....	114,208	-	-	-	114,208
Education.....	11,875,805	-	-	-	11,875,805
Public works.....	798,142	-	-	-	798,142
Human services.....	10,911	-	-	-	10,911
Culture and recreation.....	4,134	-	-	-	4,134
Unassigned.....	35,183,860	-	-	(398,235)	34,785,625
Total Fund Balances.....	\$ 53,146,189	\$ 1,488,637	\$ 28,865,585	\$ 40,859,520	\$ 124,359,931

NOTE 9 - RISK FINANCING

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

In 2012, the City joined the Commonwealth of Massachusetts' GIC which offers premium based insurance plans to GIC members. The GIC sets the rates for participating municipalities annually. Municipalities participating in the GIC plans are assessed a .05% administrative fee on their premium over what the State employees pay.

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors. As of June 20, 2020, The City estimates the liability to be \$124,600. The estimate of IBNR claims is based on a historical trend analysis and recent trends.

NOTE 10 - PENSION PLAN

Plan Description

The City is a member of the Lawrence Contributory Retirement System (LCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 4 member units. The System is administered by a five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements. The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$39,890,794 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the City is \$328,949,155 as of the measurement date.

Benefits Provided

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

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

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

At December 31, 2019, the System's membership consists of the following:

Active members.....	1,633
Inactive members.....	612
Retirees and beneficiaries currently receiving benefits.....	924
Total.....	<u>3,169</u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the LCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2019, was \$21,375,578, 28.18% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$19,181,972; its actual contribution was \$19,179,636.

Pension Liabilities – The components of the net pension liability of the participating member units at June 30, 2020, were as follows:

Total pension liability.....	\$ 471,672,119
Total pension plan's fiduciary net position.....	<u>(255,358,705)</u>
Total net pension liability.....	<u>\$ 216,313,414</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	54.14%

At June 30, 2020, the City reported a liability of \$193,946,473 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2019, the City's proportion was 89.66%, as compared to its proportion of 90.62% measured at December 31, 2019.

Pension Expense – For the year ended June 30, 2020, the City recognized pension expense of \$17,852,288. At June 30, 2020, the City reported deferred outflows of resources related to pensions of \$9,936,975, and deferred inflows of resources related to pensions of \$18,724,977. The balances of deferred outflows and inflows of resources related to pensions at June 30, 2020 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 521,647	\$ (8,303,889)	\$ (7,782,242)
Difference between projected and actual earnings.....	-	(7,837,608)	(7,837,608)
Changes in assumptions.....	9,224,697	-	9,224,697
Changes in proportion and proportionate share of contributions...	190,631	(2,583,480)	(2,392,849)
 Total deferred outflows/(inflows) of resources.....	 \$ 9,936,975	 \$ (18,724,977)	 \$ (8,788,002)

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

Year ended June 30:

2020.....	\$ (2,798,421)
2021.....	(2,948,784)
2022.....	445,956
2023.....	(3,338,614)
2024.....	(148,139)
 Total.....	 \$ (8,788,002)

Actuarial Assumptions - The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	3.24% amortization increase.
Remaining amortization period.....	17 years for the fresh start base.
Asset valuation method.....	Market value adjusted by accounts payable and receivables.
Investment rate of return/Discount rate.....	7.25% (7.50% in prior valuation).
Projected salary increases.....	3.75% ultimate rate, plus 4.00% steps for the first five years of service.
Cost of living adjustments.....	3% of the first \$12,000 of a member's retirement allowance.

Rates of retirement/disability.....	Groups 1 and 2, Ages 50-70. Group 4, Ages 50-65.
Mortality rates.....	RP-2014 adjusted to 2006 and projected generationally using MP-2019. For members retired under and Accidental Disability (job-related), 50% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 adjusted to 2006 and projected generationally using MP-2019, ages set forward two years.

Investment policy – The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equities.....	13.00%	4.29%
International Equities.....	13.00%	4.39%
Emerging Markets Equities.....	5.00%	6.54%
Hedged Equities.....	8.00%	3.61%
Core Fixed Income.....	6.00%	0.88%
Short-Term Fixed Income.....	2.00%	0.59%
20+ Year Treasury Strips.....	3.00%	0.00%
TIPS.....	4.00%	20.00%
Value-Added Fixed Income.....	8.00%	4.20%
Private Equity.....	13.00%	8.20%
Real Estate.....	10.00%	3.51%
Timberland.....	4.00%	4.10%
Portfolio Completion.....	11.00%	3.22%
Total.....	100.00%	

Rate of return – For the year ended December 31, 2019 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
The City's proportionate share of the net pension liability...	\$ 240,665,981	\$ 193,946,473	\$ 154,482,698

Changes in Assumptions - The following assumption changes were reflected in the January 1, 2020 actuarial valuation; the discount rate assumption was reduced to 7.25%; previously 7.50%; and the mortality assumption was changed to the RP-2014 mortality table adjusted to 2006 and projected generationally using MP-2019.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy - The contribution requirements of plan members and the City are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The City contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For the year ended June 30, 2020, the City’s average contribution rate was 6.75% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish a postemployment benefit trust fund and to enable the City to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2019, the City pre-funded future OPEB liabilities by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$410,473.

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms, and investments are reported at market value.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Plan Membership – The following table represents the Plan's membership at July 1, 2019:

Active members.....	2,718
Inactive members currently receiving benefits.....	<u>1,388</u>
 Total.....	 <u>4,106</u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 590,976,028
Less: OPEB plan's fiduciary net position.....	<u>(410,473)</u>
 Net OPEB liability.....	 <u>\$ 590,565,555</u>
 The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	 0.07%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020:

Valuation date.....	July 1, 2019
Actuarial cost method.....	Entry age normal, level percentage of pay.
Remaining amortization period.....	Investment gains/losses: 5 years; Experience: average expected future working Lifetime of the whole group. Assumption changes: average expected future Working lifetime of the whole group.
Asset valuation method.....	Market value.
Discount rate/investment rate of return.....	2.66% per annum (1.66% and 3.66% are illustrated for sensitivity).
Healthcare trend rate.....	8% decreasing to an ultimate rate of 5%.
Inflation rate.....	3% per annum.
Payroll growth.....	3% per annum.
Mortality rates.....	RP-2006 mortality table with MP-2019 projection.

Rate of return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Policy - The City's policy in regard to the allocation of invested assets is established and may be amended by City Council by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The City's OPEB investments were invested using the City's investment policy. The City maintains their OPEB trust funds in a cash portfolio account and is not invested to achieve a specific real rate of return.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% as of June 30, 2020, and 2.98% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the municipal bond rate was applied to all periods to determine the total OPEB liability. The municipal bond rate was based on a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2020.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 562,881,940	\$ 306,389	\$ 562,575,551
Changes for the year:			
Service cost.....	26,074,879	-	26,074,879
Interest.....	15,539,554	-	15,539,554
Changes of assumptions.....	13,001,807	-	13,001,807
Differences between expected and actual experience.....	(15,317,578)	-	(15,317,578)
Employer contributions.....	-	11,304,574	(11,304,574)
Net investment income.....	-	4,084	(4,084)
Benefit payments.....	(11,204,574)	(11,204,574)	-
Net change.....	28,094,088	104,084	27,990,004
Balances at June 30, 2020.....	\$ 590,976,028	\$ 410,473	\$ 590,565,555

Sensitivity of the net other postemployment liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 2.66%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(1.66%)	(2.66%)	(3.66%)
Net OPEB liability.....	\$ 656,141,628	\$ 590,565,555	\$ 469,009,473

Sensitivity of the net other postemployment liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 8% initially, decreasing to an ultimate rate of 5%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 454,698,402	\$ 590,565,555	\$ 694,245,420

Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the City reported \$65,056,205 of deferred outflows of resources related to OPEB due to differences between expected and actual experience. The components of deferred outflows is as follows:

Deferred Category	Deferred Outflows of Resources
Differences between expected and actual experience.....	\$ 27,562,824
Changes of assumptions.....	37,488,162
Net difference between projected and actual earnings.....	5,219
 Total deferred outflows/(inflows) of resources.....	 \$ 65,056,205

The deferred outflows of resources related to OPEB will be recognized in pension expense in future years as follows:

Measurement date year ended June 30:

2021.....	\$ 4,967,091
2022.....	4,967,091
2023.....	4,967,091
2024.....	4,966,540
2024.....	4,965,647
Thereafter.....	26,083,442
 Total.....	 \$ 50,916,902

Changes in Assumptions – The discount rate was reduced to 2.66% per annum, from a rate of 2.98% in the prior valuation.

Changes in Plan Provisions – None.

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

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

	Pension Trust Fund (as of December 31, 2019)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,044,230	\$ 410,473	\$ 2,454,703
Investments:			
Investments in Pension Reserve Investment Trust.....	254,078,313	-	254,078,313
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	535,883	-	535,883
Other assets.....	11,733	-	11,733
TOTAL ASSETS	256,670,159	410,473	257,080,632
LIABILITIES			
Warrants payable.....	1,311,454	-	1,311,454
NET POSITION			
Restricted for pensions.....	255,358,705	-	255,358,705
Restricted for other postemployment benefits.....	-	410,473	410,473
TOTAL NET POSITION	\$ 255,358,705	\$ 410,473	\$ 255,769,178
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 21,372,967	\$ 100,000	\$ 21,472,967
Employer contributions for other postemployment benefit payments.	-	11,204,574	11,204,574
Member contributions.....	7,219,910	-	7,219,910
Transfers from other systems.....	470,255	-	470,255
3(8)c contributions from other systems.....	329,014	-	329,014
Workers compensation settlements.....	28,260	-	28,260
State COLA reimbursements.....	256,458	-	256,458
Member makeup payments and redeposits.....	25,874	-	25,874
Interest not refunded.....	8,761	-	8,761
Total contributions.....	29,711,499	11,304,574	41,016,073
Net investment income:			
Investment income.....	36,517,787	4,084	36,521,871
Less: investment expense.....	(1,219,918)	-	(1,219,918)
Net investment income (loss).....	35,297,869	4,084	35,301,953
TOTAL ADDITIONS	65,009,368	11,308,658	76,318,026
DEDUCTIONS:			
Administration.....	486,756	-	486,756
Transfers to other systems.....	828,803	-	828,803
3(8)c transfer to other systems.....	1,338,958	-	1,338,958
Retirement benefits and refunds.....	27,657,635	-	27,657,635
Other postemployment benefit payments.....	-	11,204,574	11,204,574
TOTAL DEDUCTIONS	30,312,152	11,204,574	41,516,726
NET INCREASE (DECREASE) IN NET POSITION.....	34,697,216	104,084	34,801,300
NET POSITION AT BEGINNING OF YEAR.....	220,661,489	306,389	220,967,878
NET POSITION AT END OF YEAR	\$ 255,358,705	\$ 410,473	\$ 255,769,178

NOTE 13 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2020, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various other legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 14 – DUE TO COMMONWEALTH

During 2017 it was discovered that the Commonwealth of Massachusetts State Retirement Board (Board) had been, for several years, overpaying the City in connection reimbursements issued by the Board to the City for non-contributory retirees pursuant to *Chapter 351 Acts of 1981*, as amended. The amount of this overpayment totaled \$1,928,004. To pay off this overpayment the City has entered into an agreement with the Board whereby it will pay, through September 2034, all amounts due. The payment schedule is as follows:

- Annual payments of \$50,000 September 1, 2016 through September 1, 2019
- Annual payments of \$75,000 September 1, 2020 through September 1, 2024
- Annual payments of \$120,000 September 1, 2025 through September 1, 2029
- Annual payments of \$150,000 September 1, 2030 through September 1, 2033
- Final payment of \$153,004 September 1, 2034

The amount paid by the City to the Board through June 30, 2020 is \$200,000. The remaining amount to be paid through 2034 is \$1,728,004.

NOTE 15 – COLUMBIA GAS DISASTER

On September 13, 2018, an over pressurization of a portion of the Bay State Gas Company d/b/a Columbia Gas of Massachusetts (Columbia) natural gas system in the Merrimack Valley of Massachusetts took place, which resulted in a series of fires, explosions and other damages. The City has asserted various claims against Columbia arising from the event. Following the event, extensive work was performed by Columbia to restore and/or replace underground gas mains and service lines. The City entered into a Final Settlement and Release of all Claims Agreement (Settlement Agreement) with Columbia on May 1, 2019, providing the City with the ability to recover agreed-upon maximum balances of \$31,910,000 for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the event, \$5,000,000 for mitigation fees and \$6,418,750 to reimburse the City for direct substantiated costs at the time of the disaster.

In 2019, the City received \$31,910,000 for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the event, which have been reported in the Gas Disaster Paving Restoration Fund. The City anticipates completing the paving restoration over the next few fiscal years. In 2020, the City spent \$3.0 million on paving restoration and the ending fund balance of the Gas Disaster Paving Restoration Fund totaled \$28.9 million.

In 2019, the City received \$5,000,000 of mitigation funds, which has been reported in the Gas Disaster Mitigation Fee Fund. In 2020, the City spent \$1.2 million on mitigation activities. The City appropriated the remaining balance of \$3.8 million and transferred it to the Columbia Gas Reserve account within the City's Capital Projects Fund.

Columbia agreed to a maximum reimbursement of \$6,418,750 for direct substantiated losses submitted for reimbursement to Columbia. During 2020, a total of 2.2 million was received to offset direct costs of \$2.0 million. As of June 30, 2020, the City has reserved \$200,000 received as unearned revenue to offset costs occurring in 2021.

NOTE 16 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The City is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing the associated City revenues. The City has also incurred unanticipated costs specifically related to the pandemic. On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2021, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, Postponement of the Effective Dates of Certain Authoritative Guidance. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, Fiduciary Activities, which is required to be implemented in 2021.
- The GASB issued Statement #87, Leases, which is required to be implemented in 2022.
- The GASB issued Statement #89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is required to be implemented in 2022.
- The GASB issued Statement #90, Majority Equity Interests – an amendment of GASB Statements #14 and #61, which is required to be implemented in 2021.
- The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented in 2023.
- The GASB issued Statement #92, Omnibus 2020, which is required to be implemented in 2022.
- The GASB issued Statement #93, Replacement of Interbank Offered Rates, which is required to be implemented in 2022.
- The GASB issued Statement #94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, which is required to be implemented in 2023.
- The GASB issued Statement #96, Subscription-Based Information Technology Arrangements, which is required to be implemented in 2023.
- The GASB issued Statement #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, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 73,300,694	\$ 73,300,694	\$ 73,300,694
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	6,427,196	6,427,196	6,427,196
Penalties and interest on taxes.....	-	1,000,000	1,000,000	1,000,000
Payments in lieu of taxes.....	-	630,000	630,000	630,000
Licenses and permits.....	-	1,518,500	1,518,500	1,518,500
Fines and forfeitures.....	-	760,000	760,000	760,000
Intergovernmental.....	-	231,315,291	231,315,291	231,315,291
Departmental and other.....	-	1,748,565	1,748,565	1,748,565
Investment income.....	-	1,600,000	1,600,000	1,600,000
TOTAL REVENUES.....	-	318,300,246	318,300,246	318,300,246
EXPENDITURES:				
Current:				
General government.....	294,812	6,590,029	6,884,841	7,364,353
Public safety.....	29,076	28,483,958	28,513,034	30,887,517
Education.....	11,459,207	197,284,017	208,743,224	208,490,123
Public works.....	904,883	11,294,548	12,199,431	14,811,591
Human services.....	10,561	1,090,247	1,100,808	1,029,299
Culture and recreation.....	8,764	1,356,706	1,365,470	1,370,395
Pension benefits.....	670	9,765,476	9,766,146	9,765,476
Employee benefits.....	-	17,114,128	17,114,128	17,176,119
State and county charges.....	-	30,057,127	30,057,127	30,057,127
Debt service:				
Principal.....	-	10,165,000	10,165,000	10,165,000
Interest.....	-	3,299,050	3,299,050	3,299,051
TOTAL EXPENDITURES.....	12,707,973	316,500,286	329,208,259	334,416,051
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....				
	(12,707,973)	1,799,960	(10,908,013)	(16,115,805)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	890,401	890,401	890,401
Transfers out.....	-	(2,690,361)	(2,690,361)	(3,366,785)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,799,960)	(1,799,960)	(2,476,384)
NET CHANGE IN FUND BALANCE.....	(12,707,973)	-	(12,707,973)	(18,592,189)
BUDGETARY FUND BALANCE, Beginning of year.....	-	38,327,249	38,327,249	38,327,249
BUDGETARY FUND BALANCE, End of year.....	\$ (12,707,973)	\$ 38,327,249	\$ 25,619,276	\$ 19,735,060

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 72,356,154	\$ -	\$ (944,540)
1,129,878	-	1,129,878
6,493,450	-	66,254
784,902	-	(215,098)
509,981	-	(120,019)
1,791,538	-	273,038
470,877	-	(289,123)
231,999,917	-	684,626
1,796,915	-	48,350
1,878,675	-	278,675
 <u>319,212,287</u>	 <u>-</u>	 <u>912,041</u>
 6,315,691	 473,299	 575,363
29,800,596	114,208	972,713
183,303,609	<u>11,875,805</u>	<u>13,310,709</u>
13,798,929	798,142	214,520
946,757	10,911	71,631
1,299,393	4,134	66,868
9,762,202	-	3,274
15,900,905	-	1,275,214
29,601,274	-	455,853
 10,165,000	 -	 -
<u>2,317,003</u>	<u>-</u>	<u>982,048</u>
 <u>303,211,359</u>	 <u>13,276,499</u>	 <u>17,928,193</u>
 <u>16,000,928</u>	 <u>(13,276,499)</u>	 <u>18,840,234</u>
 890,401	 -	 -
<u>(3,366,785)</u>	<u>-</u>	<u>-</u>
 <u>(2,476,384)</u>	 <u>-</u>	 <u>-</u>
 13,524,544	 (13,276,499)	 18,840,234
 <u>38,327,249</u>	 <u>-</u>	 <u>-</u>
 <u>\$ 51,851,793</u>	 <u>\$ (13,276,499)</u>	 <u>\$ 18,840,234</u>

Pension Plan Schedules – Retirement System

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Total pension liability:						
Service cost.....	\$ 8,469,461	\$ 8,829,413	\$ 8,737,363	\$ 9,108,701	\$ 9,495,821	\$ 9,873,518
Interest.....	29,607,284	30,713,326	31,842,170	32,023,014	32,766,855	33,814,517
Differences between expected and actual experience.....	-	-	(11,573,571)	1,144,844	-	(5,276,740)
Changes in assumptions.....	-	-	-	9,356,284	-	6,640,447
Benefit payments.....	<u>(24,653,000)</u>	<u>(23,677,370)</u>	<u>(26,092,541)</u>	<u>(27,995,140)</u>	<u>(28,662,273)</u>	<u>(28,706,774)</u>
Net change in total pension liability.....	13,423,745	15,865,369	2,913,421	23,637,703	13,600,403	16,344,968
Total pension liability - beginning.....	<u>385,886,510</u>	<u>399,310,255</u>	<u>415,175,624</u>	<u>418,089,045</u>	<u>441,726,748</u>	<u>455,327,151</u>
Total pension liability - ending (a).....	<u>\$ 399,310,255</u>	<u>\$ 415,175,624</u>	<u>\$ 418,089,045</u>	<u>\$ 441,726,748</u>	<u>\$ 455,327,151</u>	<u>\$ 471,672,119</u>
Plan fiduciary net position:						
Employer contributions.....	\$ 17,323,139	\$ 18,508,811	\$ 19,329,195	\$ 20,605,965	\$ 20,798,277	\$ 21,372,967
Member contributions.....	6,950,852	6,706,412	6,851,473	6,781,214	6,843,880	7,219,910
Net investment income (loss).....	12,432,924	1,013,895	13,190,264	33,087,835	(5,258,484)	35,297,869
Administrative expenses.....	(454,640)	(470,218)	(472,754)	(503,253)	(502,442)	(486,756)
Retirement benefits and refunds.....	<u>(24,653,000)</u>	<u>(23,677,370)</u>	<u>(26,092,541)</u>	<u>(27,995,140)</u>	<u>(28,662,273)</u>	<u>(28,706,774)</u>
Net increase (decrease) in fiduciary net position.....	11,599,275	2,081,530	12,805,637	31,976,621	(6,781,042)	34,697,216
Fiduciary net position - beginning of year.....	<u>168,979,467</u>	<u>180,578,742</u>	<u>182,660,273</u>	<u>195,465,910</u>	<u>227,442,531</u>	<u>220,661,489</u>
Fiduciary net position - end of year (b).....	<u>\$ 180,578,742</u>	<u>\$ 182,660,273</u>	<u>\$ 195,465,910</u>	<u>\$ 227,442,531</u>	<u>\$ 220,661,489</u>	<u>\$ 255,358,705</u>
Net pension liability - ending (a)-(b).....	<u>\$ 218,731,513</u>	<u>\$ 232,515,351</u>	<u>\$ 222,623,135</u>	<u>\$ 214,284,217</u>	<u>\$ 234,665,662</u>	<u>\$ 216,313,414</u>
Plan fiduciary net position as a percentage of the total pension liability.....	45.22%	44.00%	46.75%	51.49%	48.46%	54.14%
Covered payroll.....	\$ 71,253,430	\$ 74,624,910	\$ 73,741,641	\$ 77,421,566	\$ 75,251,536	\$ 75,849,815
Net pension liability as a percentage of covered payroll.....	306.98%	311.58%	301.90%	276.78%	311.84%	285.19%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2019.....	\$ 21,375,578	\$ (21,372,967)	\$ 2,611	\$ 75,849,815	28.18%
December 31, 2018.....	20,756,572	(20,798,277)	(41,705)	75,251,536	27.64%
December 31, 2017.....	20,684,393	(20,605,965)	78,428	77,421,566	26.62%
December 31, 2016.....	19,320,161	(19,329,195)	(9,034)	73,741,641	26.21%
December 31, 2015.....	18,515,120	(18,508,911)	6,209	74,624,910	24.80%
December 31, 2014.....	17,714,686	(17,714,686)	-	71,253,430	24.86%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2019.....	16.03%
December 31, 2018.....	-2.29%
December 31, 2017.....	17.07%
December 31, 2016.....	7.53%
December 31, 2015.....	0.59%
December 31, 2014.....	7.39%

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	89.66%	\$ 193,946,473	\$ 68,791,031	281.94%	54.14%
December 31, 2018.....	90.47%	212,650,874	68,188,086	311.86%	48.46%
December 31, 2017.....	90.52%	193,980,472	70,509,618	275.11%	51.49%
December 31, 2016.....	90.59%	201,674,657	67,134,686	300.40%	46.75%
December 31, 2015.....	91.01%	211,615,277	68,450,129	309.15%	44.00%
December 31, 2014.....	90.78%	198,564,467	65,339,569	303.90%	45.22%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 19,181,972	\$ (19,179,636)	\$ 2,336	\$ 70,166,852	27.33%
June 30, 2019.....	18,824,290	(18,862,020)	(37,730)	68,188,086	27.66%
June 30, 2018.....	18,148,664	(18,077,804)	70,860	70,509,618	25.64%
June 30, 2017.....	17,409,358	(17,414,550)	(5,192)	67,134,686	25.94%
June 30, 2016.....	16,858,734	(16,852,525)	6,209	68,450,129	24.62%
June 30, 2015.....	15,540,500	(16,134,074)	(593,574)	65,339,569	24.69%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 328,949,155	\$ 39,890,794	53.95%
2019.....	315,986,301	32,020,636	54.84%
2018.....	307,114,012	32,054,383	54.25%
2017.....	308,512,586	31,470,306	52.73%
2016.....	286,771,353	23,259,709	55.38%
2015.....	224,979,881	13,266,657	61.64%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 19,744,567	\$ 22,176,260	\$ 22,972,010	\$ 26,074,879
Interest.....	13,140,885	13,794,038	14,485,743	15,539,554
Differences between expected and actual experience...	-	19,139,925	26,416,175	(15,317,578)
Changes of assumptions.....	-	-	17,780,783	13,001,807
Benefit payments.....	<u>(9,685,596)</u>	<u>(9,887,987)</u>	<u>(9,743,089)</u>	<u>(11,204,574)</u>
Net change in total OPEB liability.....	23,199,856	45,222,236	71,911,622	28,094,088
Total OPEB liability - beginning.....	<u>422,548,226</u>	<u>445,748,082</u>	<u>490,970,318</u>	<u>562,881,940</u>
Total OPEB liability - ending (a).....	<u>\$ 445,748,082</u>	<u>\$ 490,970,318</u>	<u>\$ 562,881,940</u>	<u>\$ 590,976,028</u>
Plan fiduciary net position				
Employer contributions.....	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Employer contributions for OPEB payments.....	9,685,596	9,887,987	9,743,089	11,204,574
Net investment income.....	-	1,581	4,808	4,084
Benefit payments.....	<u>(9,685,596)</u>	<u>(9,887,987)</u>	<u>(9,743,089)</u>	<u>(11,204,574)</u>
Net change in plan fiduciary net position.....	100,000	101,581	104,808	104,084
Plan fiduciary net position - beginning of year.....	<u>-</u>	<u>100,000</u>	<u>201,581</u>	<u>306,389</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 100,000</u>	<u>\$ 201,581</u>	<u>\$ 306,389</u>	<u>\$ 410,473</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 445,648,082</u>	<u>\$ 490,768,737</u>	<u>\$ 562,575,551</u>	<u>\$ 590,565,555</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.02%	0.04%	0.05%	0.07%
Covered-employee payroll.....	\$ 155,000,000	\$ 176,000,000	\$ 160,000,000	\$ 167,500,000
Net OPEB liability as a percentage of covered-employee payroll.....	287.51%	278.85%	351.61%	352.58%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 53,178,732	\$ (11,304,574)	\$ 41,874,158	\$ 167,500,000	6.75%
June 30, 2019.....	55,898,393	(9,843,089)	46,055,304	160,000,000	6.15%
June 30, 2018.....	35,970,298	(9,987,987)	25,982,311	176,000,000	5.67%
June 30, 2017.....	32,885,452	(9,785,596)	23,099,856	155,000,000	6.31%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	Annual money-weighted rate of return, net of investment expense
June 30, 2020.....	1.70%
June 30, 2019.....	2.40%
June 30, 2018.....	1.60%
June 30, 2017.....	0.00%

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

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$331.9 million in current year appropriations and \$12.7 million in encumbrances and appropriations carried over from previous years. During 2020, the Council approved supplemental appropriations totaling \$5.9 million for snow and ice, reserves, as well as other various line items.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$ 13,524,544
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	119,024
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	62,000
Net change in recording 60 day receipts.....	468,395
Recognition of revenue for on-behalf payments.....	32,020,636
Recognition of expenditures for on-behalf payments.....	(32,020,636)
Net change in fund balance - GAAP basis.....	\$ <u>14,173,963</u>

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

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

B. Schedule of Contributions

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

C. Schedule of Investment Returns

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

Pension Plan Schedules - City**A. Schedule of the City's Proportionate Share of the Net Pension Liability**

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

B. Schedule of City's Contributions

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

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

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

D. Changes in Assumptions and Plan Provisions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

- The discount rate assumption was reduced to 7.25%; previously 7.50%.
- The mortality assumption was changed to the RP-2014 mortality table adjusted to 2006 and projected generationally using MP-2016.

There were no changes in plan provisions during the plan year.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit PlanThe Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the City's Contributions

The Schedule of the City's Contributions includes the City's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2019
Actuarial cost method.....	Entry age normal, level percentage of pay.
Remaining amortization period.....	Investment gains/losses: 5 years; Experience: average expected future working Lifetime of the whole group. Asumption changes: average expected future Working lifetime of the whole group.
Asset valuation method.....	Market value.
Discount rate/investment rate of return.....	2.66% per annum (1.66% and 3.66% are illustrated for sensitivity).
Healthcare trend rate.....	8% decreasing to an ultimate rate of 5%.
Inflation rate.....	3% per annum.
Payroll growth.....	3% per annum.

Schedule of Investment Returns

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

Changes in Assumptions

The discount rate was reduced to 2.66% per annum, from a rate of 2.98% in the prior valuation.

Changes in Plan Provisions

None.