

# CITY OF WORCESTER

## Massachusetts



**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020**



## **CITY OF WORCESTER, MASSACHUSETTS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by:  
The Office of the City Auditor  
City of Worcester, Massachusetts

Robert V. Stearns, CPA  
City Auditor

# **CITY OF WORCESTER, MASSACHUSETTS**

## **Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2020

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# **INTRODUCTORY SECTION**



## **CITY OF WORCESTER, MASSACHUSETTS**

### **AUDITING DEPARTMENT**

**Robert V. Stearns, CPA**  
**City Auditor**

January 21, 2021

To the Honorable Members of the City Council  
City of Worcester, Massachusetts:

The Comprehensive Annual Financial Report (CAFR) of the City of Worcester, Massachusetts (the City) for the fiscal year ended June 30, 2020 is presented for your review. The report was prepared by the Auditing Department in accordance with accounting principles generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been made.

In evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed their anticipated benefits. Also, the evaluation of costs and benefits requires estimates and judgments by management.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the City's basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. CliftonLarsonAllen LLP has issued an unmodified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2020. The independent auditors' report is presented as the first component of the financial section of this report. A management letter is issued for any matters that come to the attention during the course of the audit including special projects that are conducted each year by the CPA firm.

Pursuant to the Uniform Guidance 2 CFR 200, the City is also required to have an annual audit of the federal financial assistance it has received. In addition to a financial statement audit, the Uniform Guidance requires that an internal control review and a compliance audit be performed on selected major programs covering 20% of all federal expenditures. The United States Department of Housing and Urban Development was assigned as the cognizant audit agency. The requirements of the Uniform Guidance have been met. The auditors' reports on internal control and compliance have been furnished separately to the City.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **City of Worcester Government**

Worcester was settled in 1673 and incorporated as a town in 1722 and as a city in 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is approximately 43 miles west of Boston, 53 miles east of Springfield, and 41 miles north of Providence, RI. The City occupies approximately 39 square miles and is the second largest populated city in New England with a population of just over 185,000 according to projected estimates by the U.S. Census Bureau since the last federal census in 2010.

The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City. Additionally, the City is allotted a portion of the hotel, meals and sales taxes collected within its jurisdiction by the state.

The City has operated under the council-manager form of government since 1950. An eleven-member City Council, six of whom are elected at-large and five of whom are elected from districts, performs the legislative function and policy-making. The City Council is responsible, among other things, for passing ordinances and adopting the budget. City Council members are elected biennially on a non-partisan basis.

The City Manager, appointed by the City Council, is the chief executive officer with appointive and removal authority over department heads and other employees of the City. The City Manager is responsible for the implementation of policies established by the City Council and for overseeing the day-to-day operations of the government. The City Auditor and City Clerk are elected by and are employees of the City Council.

The Mayor is the councilor who receives the highest number of votes for mayor provided he or she is also elected as one of the six at-large councilors. The Mayor serves as presiding officer of the council and ex-officio Chairperson of the School Committee. An elected six-member School Committee, whose members are elected biennially on a non-partisan basis, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

The City provides a full range of services including public safety, public education grades pre-K through 12 and certain technical education beyond high school, public roads, sanitation, water, sewer, health and social services, culture, recreation, municipal golf course, civic and convention center, public improvements, planning and zoning, and general administrative services. The City is also financially responsible for the legally separate Worcester Retirement System (WRS), Upper Blackstone Water Pollution Abatement District (the District) and Worcester Redevelopment Authority (WRA), all of which are reported within the City's basic financial statements. Additional information on these legally separate entities can be found in the notes to the basic financial statements.

All department operating and capital budget requests are required to be submitted to the City Manager by mid-January. The City Manager then reviews these requests with every department head during a series of meetings. In accordance with MGL Chapter 44, the City Manager must then submit his proposed budget within 170 days after the City Council organizes in early January. The Council is required to hold public hearings and to adopt a final budget no later than 45 days after the budget is submitted to them. Budgetary control is centralized and enforced on a statutory account basis. Statutory accounts are maintained on a departmental level and consist of salary, capital and ordinary maintenance accounts. Purchase requisitions and payrolls, which would result in an overrun of an account balance, are not processed until additional appropriations are made available. Transfers between statutory accounts within a department require a simple majority approval by the City Council and



transfers from one department to another require a two-thirds majority. Open encumbrances are reported as liabilities. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 130 through 137 as part of required supplementary information.

### **Local economy**

Worcester has over 7,150 establishments in multiple industries of construction, manufacturing, transportation, utilities, trade and retail, information, financial, professional, education, health, hospitality and government generating total wages of over \$1.6 billion. Employment is over 104,000 with service industries making up 92% of the jobs and health and education making up the largest percentage at approximately 50% of all employment. Other notable industries include trade, transportation and utilities at 11% of the workforce, professional and business services 10%, leisure and hospitality 8%, financial 6%, manufacturing 5%. Worcester is home to nine colleges and universities with over 36,000 full and part-time students and over 11,000 employees. Also located within Worcester are two major hospitals serving central Massachusetts. The UMass Memorial Health Care system employs 11,491, Reliant Medical Group 2,681, and St. Vincent Hospital employs 2,366. The school district and the City of Worcester also have a significant economic presence, employing 5,755 employees including teachers, professionals and support staff.

The local, state and national unemployment rates increased significantly near the end of fiscal 2020 due to the impact of the pandemic on the economy. The unemployment rate of the City as of June 30, 2020 was 20.6% compared to 3.9% from the previous year. By comparison for the same periods the state's unemployment rate was 17.8% and 3.1%, respectively and the national average was 11.2% and 3.8%, respectively. As of October 31, 2020 the local unemployment rate declined to 8.4%, the state unemployment rate to 6.9% and the national unemployment rate declined to 6.6%. Median household income based on American Community Survey tables for 2019 one-year estimates within the City of Worcester was \$57,092 based on approximately 69,000 households compared to \$85,843 for the state based on 2.7 million households and \$65,712 on a national level.

According to the state's school district profiles, 60% of the 25,044 enrollment at Worcester Public Schools for the school year 2019-2020 are considered economically disadvantaged compared to the state average of 33%. In addition, the large numbers of college students residing in the city also have an effect by lowering the average income levels.

Worcester's total taxable assessed property value increased to \$14.6 billion in fiscal 2020 based on the legal assessment date of January 1, 2019. Values increased \$1.1 billion or 8% more than the previous year. Tax-exempt real property represented 29% of the total assessed values at \$5.9 billion and increased 3.5% from the year before. Expectations for continued growth and increased valuations are reasonable given the ongoing private and public redevelopment. A recent study by Colliers International reported that as of June 30, 2020, a sample of 2.9 million square feet of office space in Worcester was 87% occupied compared to 91% in the prior year.

### **Major Development Projects**

In fiscal 2020, the City continued construction of a AAA minor league ballpark with a capacity of 10,000 located in the Canal District near the center of the city. District improvement financing (DIF) will be used to pay the debt service over thirty years. New revenue generated will include tax increment financing from private development in surrounding parcels, rent income from the baseball team, and other ancillary income. The City has authorized loan orders totaling \$133 million. The state is providing \$36 million in two Massworks grants for the construction of a new parking garage and streetscape redevelopment. The state is also providing tax credits that support the development of market rate housing within the district. Additionally, the state will be making major traffic improvements in the area. Private development within the ballpark district incentivized with tax increment financing agreements includes the construction of a left field office building with retail and restaurant space, two hotels with a total of 262 rooms, and two residential buildings with approximately 350 rooms and ground retail

and restaurant space, and a 60,000 square foot multi-story mixed use office building. The geographical area of the DIF expanded and other private redevelopment is expected to generate additional income for the ballpark DIF district. Completion of the major new private development projects are expected in fiscal years 2022 through 2024.

The City continued other downtown streetscape projects including the completion of the redesign of Federal Plaza and the continued work on the Main Street Streetscape project. Redevelopment of the Green Harding area included 48 market-rate housing units and a public market consisting of 16,000 square feet of rental commercial space anchored by a 3,000 square foot brewery as well as streetscape improvements. Redevelopment of a downtown residential and commercial area known as the Grid District continued which has added over 500 units of housing, restaurants, a beer garden, comedy club and retail space over the past five years. Close by, a performing arts theater completed major renovations in 2016 and the public library is currently undergoing a \$12.7 million renovation.

The \$500 million CitySquare project is a multiphase public/private redevelopment project transforming downtown into a vibrant working and living environment. Projects completed recently include a \$92 million complex with 365 luxury apartments, street level retail shops and a parking garage. The apartments and retail space are fully occupied. Other construction recently completed include a \$33 million 170 room hotel and restaurant, and the redevelopment of 640,000 office and retail space \$75 million bringing 630 more employees to downtown. A city owned underground public parking garage \$42 million was placed into service in fiscal 2017.

Other large projects included a 55,000 square foot mixed use four building plaza neared completion at the former WRTA site on Grove Street; a bio manufacturing firm announced its intention to invest \$60 million in a new facility to be located in a new bio manufacturing park on 44 acres of land; Holy Cross constructed a \$30 million 52,000 square foot recreation and wellness center; and Assumption College began construction on a \$13 million 41,000 square foot health sciences facility.

Union Station is the intermodal transportation facility of Central Massachusetts with completed or planned improvements totaling over \$7 million including improvements to railroad tracks, stucco repair to the building's façade, lighting and other interior improvements to public and office space. A new police substation is being designed to be constructed within the facility to increase public safety. A state agency has recently signed a ten year lease for office space. Adjacent to the Union Station facility is the WRTA hub that allows transfer from train to local and out of city bus and taxi services.

The Worcester Regional Airport, acquired by the Massachusetts Port Authority from the City in 2010, has been carrying passengers since 2013. Prior to the pandemic, the number carried passengers continued to increase with the addition of carriers and destinations. For the 12 month period ending January 31, 2020 passengers arriving and departing totaled 191,000 compared to 179,000 for the 12 month period ending June 30, 2019. There has been marked decline in air travel as a result of the pandemic affecting national and global air travel and the suspension of commercial flights from the regional airport. A recent federal award in July 2020 of \$5 million to improve a runway suggests the importance of the airport to long-term air traffic strategy in the region.

Blackstone Gateway Park and Blackstone Heritage Corridor Visitor Center opened in fiscal 2019. The Visitor Center invites tourists, families, and recreational enthusiasts to explore Worcester and the surrounding region's cultural organizations, eateries, and businesses. This multi-use facility and surrounding park offer recreational and educational opportunities and serves as the headquarters of the Massachusetts Department of Conservation and Recreation in the Central Region.

A new replacement elementary school was completed and opened in the fall 2017 school year with a cost in excess of \$50 million that was funded 62% by the state through the Massachusetts School Building Authority (MSBA). Construction on a replacement high school with a cost of \$210 million with approximately 55% funded through the MSBA continued during fiscal 2020. Additionally in fiscal 2020, the city designed the replacement of another high school and the project was accepted by the MSBA in August 2020 with a grant of up to \$125 million.

## **Long-term financial planning and major initiatives**

Each of the three bond rating agencies reaffirmed the City's strong high investment grade ratings in fiscal 2020 including AA- (stable) from Standard and Poor's Rating Service, Aa3 (stable) from Moody's Investors Service, and AA (stable) from Fitch Ratings citing positive financial performance and strong fiscal management with good financial policies and practices and a growing tax base.

In 2017, the City Council updated its financial plan to increase the target of general fund reserves to 10% of combined balances in undesignated fund balance and the bond rating stabilization fund; to prefund a new high school construction stabilization fund for the planned construction of two new high schools; updated the borrowing cap from one based on inflation to one tied to the five-year capital improvement plan with debt service that is supported by the general fund limited to 8% to 10% of budget; and to establish an expendable trust fund for OPEB and an OPEB Board of Trustees to manage its investments. Elements of the former financial plan were retained including quarterly financial reporting and the appropriation of free cash which includes 50% of free cash to a stabilization fund, 30% to OPEB trust and 20% available for operations. During fiscal 2020 the OPEB Trust fund effectively became an irrevocable trust through the declaration of trust adopted and filed by the OPEB Board.

As of June 30, 2020, the City's combined balance in its unassigned general fund reserves totaled \$53 million and was 7.7% of general fund revenues. During 2020 the City continued to make contributions to finance the new high school construction stabilization fund with a transfer totaling \$3.4 million resulting in a cumulative balance of \$9.2 million at June 30, 2020. Debt service supported by the general fund excluding pension obligation bonds totaled 6.2% of the budget.

General fund revenue sources to the City during fiscal 2020 included 44.5% from the property tax levy, 6.9% from local and other sources and 48.6% from state aid. The City did not tax all of its levy capacity and had a total \$19.5 million in untaxed levy capacity at the end of fiscal 2020 compared to \$18.0 million for fiscal 2019. Total combined reserves in the unassigned general fund and the debt service fund increased \$5.2 million to \$74.2 million or 10.7% of combined general fund and debt service revenue.

The City's use of tax increment financing and exemptions (TIF, TIE) and district improvement financing (DIF) as well as the development by the local colleges have helped attract private investment in new construction and redevelopment of vacant buildings including some designated as historical sites and some former industrial sites currently unused. Through the creation of the DCU Center DIF the City was able to provide a revenue stream with local hotel and meals tax in a designated area to finance debt service specific to the DCU Center's capital improvements. The City received \$1.7 million of designated hotel and meals taxes in fiscal 2020, down \$0.6 million from the prior year because of the pandemic's impact on hotel stays and civic center and convention events. The operations of the DCU Center were self-sustaining from revenue and its fund balance reserves without the need for tax levy subsidies for fiscal 2020. The CitySquare DIF received \$3.6 million from related TIFs for the year ended June 30, 2020 to fund debt service that totaled \$4.1 million for fiscal 2020. There was an unused fund balance of \$0.5 million at year-end in the CitySquare DIF fund. The City also formed a new financing district for the ballpark area where the incremental property taxes on new commercial construction and other revenue such as team rent, parking income, and hotel and meal excise will fully fund the City's debt to build the ballpark with estimated total bond borrowings of \$133 million. For fiscal 2020 there were sixteen TIF/TIE plans that were active in fiscal 2020 that received tax exemptions and eight other projects are underway or planned and will receive tax exemptions in the future. For the year ended June 30, 2020, the city received \$3.7 million in real estate taxes and provided \$4.1 million in exemptions related to the sixteen projects.

The City continues to pursue grants and other resources that keep the borrowing within the capital improvement plan. Grant revenue for street projects totaled \$4 million and has reduced the amount the City needed to borrow. The City has made significant investments in its school buildings from borrowing and grants from the state's Massachusetts School Building Authority (MSBA). School construction under the state program includes both new

school replacement and the upgrades to windows, doors and boilers. Total MSBA grants received in fiscal 2020 was \$37 million.

The City has invested over \$82 million in energy improvement programs between 2011 and 2020 that includes HVAC upgrades, building infiltration, water conservation, energy efficient replacement lighting for buildings and streetlights, solar arrays on top of city buildings and on top of a capped landfill that went online in fiscal 2018. Savings on energy including selling back electricity to the grid is expected to offset debt service. Solar renewable energy certificates were sold under contract that brought in \$2.1 million to the general fund. Net metering credits from the electricity generated from solar panels that offset electricity charges totaled \$1.0 million.

To manage the elevated long term liabilities related to benefits including pensions and retiree health insurance the City has made its actuarial determined contribution for the pension and annual debt service for the pension obligation bonds while continuing to fund OPEB above the pay-as-you-go annual expenditure. The City's share of the net pension liability was \$481 million and is being amortized over the next fourteen years with annual actuarially determined contributions increasing 6.33% with the contribution in year 2034 increasing by 10.3% before decreasing to a contribution equal to employer normal cost. Outstanding pension obligation bonds issued in 1998 had a balance outstanding on June 30, 2020 of \$102 million with full amortization over the next eight fiscal years. The actuarially determined net OPEB liability was \$1.0 billion which was based on an actuarial valuation and measurement date of June 30, 2020. In 2017, the City passed an amendment to its OPEB ordinance which allowed for the creation of an irrevocable expendable trust fund for OPEB and to establish a board of trustees to manage the OPEB Trust fund's investments. During fiscal 2019, a nine member OPEB board of trustees adopted a declaration of trust which became effective in fiscal 2020. The City continued to adhere to the financial policy of funding OPEB above pay-as-you-go with increasing annual appropriations included in the operating budget and 30% of state certified free cash. As of the end of the year the OPEB Trust Fund had a balance of \$20.5 million invested in cash and short-term bonds.

### **Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its comprehensive annual financial report for the year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Auditing Department. I also wish to acknowledge our indebtedness to personnel in other City departments who assisted in our preparation. I am grateful to the City's independent auditors, CliftonLarsonAllen LLP, for the professional assistance and advice they have provided during the course of their audit. In addition, I would like to thank the members of the City Council for your support.

Respectfully submitted,



Robert V. Stearns, CPA  
City Auditor

## ELECTED OFFICIALS

### CITY COUNCIL

#### MAYOR

Joseph M. Petty

#### COUNCILORS-AT-LARGE

Morris A. Bergman  
Donna M. Colorio  
Khrystian E. King  
Gary Rosen  
Kathleen M. Toomey

#### DISTRICT COUNCILORS

Sean M. Rose  
Candy F. Mero-Carlson  
Sarai Rivera  
George J. Russell  
Matthew E. Wally

### SCHOOL COMMITTEE

#### EX-OFFICIO CHAIRPERSON

Joseph M. Petty

#### COMMITTEE MEMBERS

Dianna L. Biancheria  
Laura Clancey  
John L. Foley

#### COMMITTEE MEMBERS

Molly O. McCullough  
John F. Monfredo  
Tracy O'Connell Novick

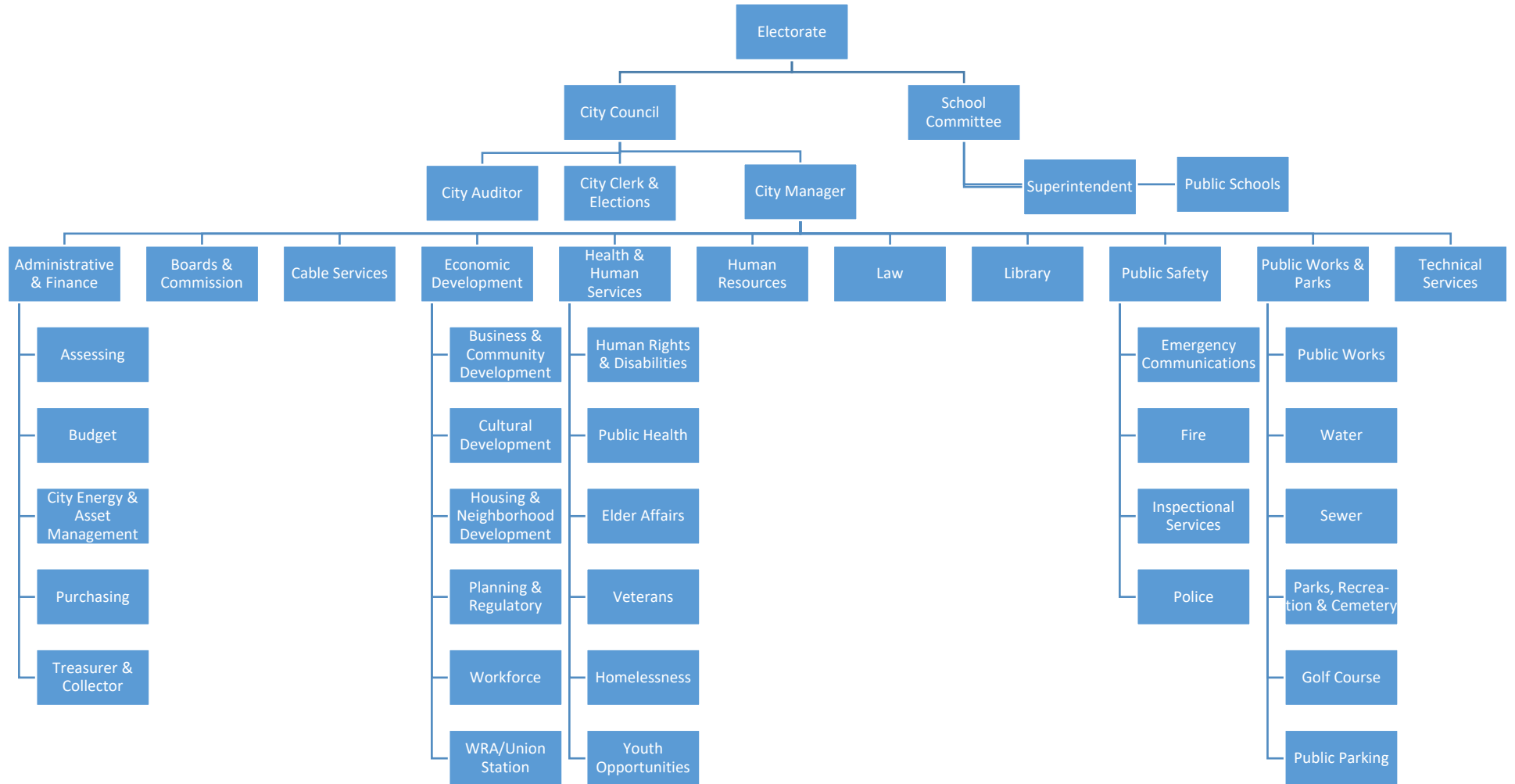
## APPOINTED OFFICIALS

CITY MANAGER\*  
ASSISTANT CITY MANAGER  
HEALTH & HUMAN SERVICES COMMISSIONER  
FIRE CHIEF  
INSPECTIONAL SERVICES COMMISSIONER  
CITY SOLICITOR  
COMMISSIONER OF DPW&P  
CHIEF OF POLICE  
EMERGENCY COMMUNICATIONS ACTING DIR.  
CHIEF DEVELOPMENT OFFICER  
CHIEF FINANCIAL OFFICER  
SUPERINTENDENT OF SCHOOLS  
CHIEF FIN. & OPERATIONS OFFICER W.P.S.  
BUDGET DIRECTOR, W.P.S.  
INTERIM DIRECTOR OF PUBLIC LIBRARY  
EXECUTIVE DIRECTOR, RETIREMENT  
CITY CLERK\*  
CITY AUDITOR\*  
DIRECTOR OF ACCOUNTS  
DIRECTOR OF TECHNICAL SERVICES  
TREASURER & COLLECTOR  
ASSISTANT TREASURER  
BUDGET DIRECTOR  
CITY ASSESSOR  
PURCHASING AGENT  
DIRECTOR OF ENERGY & ASSET MGMT.

Edward M. Augustus, Jr.  
Kathleen G. Johnson  
Dr. Matilde Castiel, MD  
Michael J. Lavoie  
John R. Kelly  
Michael E. Traynor  
Paul J. Moosey  
Steven M. Sargent  
Michael E. Shanley  
Peter Dunn  
Timothy J. McGourthy  
Maureen F. Binienda  
Brian E. Allen  
Sara Consalvo  
Sulma Rubert-Silva  
Lisa Poske  
Nikolin Vangjeli  
Robert V. Stearns  
Kimberly J. Laino  
Eileen M. Cazaropoul  
Sandra J. Flynn  
Geraldyn M. Walsh  
Erin E. Taylor  
Samuel E. Konieczny  
Christopher J. Gagliastro  
John W. Odell

\* City Manager, City Auditor and City Clerk are elected by the City Council

## City of Worcester Organization Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Worcester  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

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## **FINANCIAL SECTION**



## Independent Auditors' Report

The Honorable Mayor and City Council  
City of Worcester, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2020 (except for the Worcester 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's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), which represents 65.8%, 63.9% and 93.8%, respectively, of the assets, net position and operating revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We and the other auditor conducted our audits 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 from 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 and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of June 30, 2020 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 14 through 35) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 130 through 149) 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

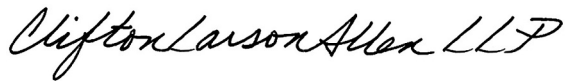
The supplementary statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor and City Council  
City of Worcester, Massachusetts

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
January 21, 2021

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2020

(In thousands of dollars)

This section of the City's annual financial report presents a discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2020 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

### **Financial Highlights**

#### ***Government-Wide (Accrual Basis) Financial Statements Highlights***

- The liabilities and deferred inflows of the City (primary government) exceeded its assets and deferred outflows (net position) at the close of fiscal 2020 by \$751,509.
- The City's total net position decreased by \$32,759 or 4.6% during the year.
- The City's net pension liability \$480,990 less deferred outflows net of deferred inflows related to pensions \$6,191 increased over the prior year balances by \$20,529.
- The City's net OPEB liability \$1,026,328 less deferred outflows net of deferred inflows related to OPEB \$116,521 increased over the prior year total OPEB liability net of deferred outflows related to OPEB by \$57,618.
- The City established a GASB 75 compliant OPEB Trust fund in fiscal 2020 and made contributions totaling \$44,474 including the transfer of a prior year OPEB reserve account balance of \$17,430, current year appropriation transfers of \$2,397, and contributions for benefits expense of \$24,647.
- The City's total capital assets (net) increased by \$127,542 or 11.0% during fiscal 2020.
- The City's total long and short-term debt including bonds, notes, capital leases, bond anticipation notes (BANS) and unamortized bond premiums totaled \$886,082, an increase of \$85,302 or 10.7% during fiscal 2020. Long term debt increased \$31,037; BANS increased \$52,195; and unamortized premiums increased \$2,070.

#### ***Governmental Funds (Modified Accrual Basis) Financial Statements Highlights***

- The City's general fund balance decreased \$12,175 or 18.6% during the year to \$53,226. The unassigned general fund balance increased \$5,255 to \$53,226 and the fund restricted for OPEB decreased \$17,430 to \$0 as the city established an irrevocable OPEB trust during the year and the account balance was contributed to the fiduciary fund for OPEB.
- At the end of fiscal 2020, the unassigned portion of the general fund was \$53,226 or 7.7% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2020 was \$10,254. This amount is unassigned in the general fund and available for appropriation in fiscal 2021.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2020

(In thousands of dollars)

### Overview of the Financial Statements

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

**Government-wide financial statements** – The government-wide financial statements report information about the City with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net position presents information of all of the City's assets, deferred outflows, liabilities and deferred inflows, 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 health of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during fiscal 2020. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

Major Features of the City of Worcester's Government-Wide and Fund Financial Statements				
	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City government, except fiduciary activities such as the employee retirement plan	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates like businesses; the water and sewer system and the golf course	Instances in which the City is the trustee or agent for resources belonging to others, such as the employee retirement plan
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the required liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions to and deductions from fiduciary net position during the year, regardless of when cash is received or paid

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2020

(In thousands of dollars)

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – Governmental activities of the City such as general government, public works, public safety, public roads, sanitation, education, health, recreation, and culture are reported here. Property taxes, state aid, and local fees and charges finance most of these activities.
- **Business-type activities** – The City charges fees to users to help it cover costs of certain services it provides. The City's water, sewer and golf course (nonmajor) operations are included here.
- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 37 through 39 of this report.

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

**Governmental funds** – Similar to the governmental activities in the government-wide financial statements, most of the City's basic services are presented here. However, unlike the government-wide financial statements, governmental funds financial statements focus on short-term inflows and outflows of available resources. They also focus on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, the rehabilitation of public buildings fund, and the school construction fund which are considered major funds and can be found on pages 40 and 42. Data from the 28 other governmental funds are combined into a single aggregated presentation titled "other governmental funds" and the list of these nonmajor governmental funds is provided on pages 150 through 152 and the combining balance sheet and statement of revenue and expenditures are provided on pages 154 through 165.

The City adopts an annual budget for its general fund which is included in the required supplementary information shown on pages 130 through 137. The City also adopts annual budgets for each of its enterprise funds shown in the supplementary schedules on pages 166 through 168.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2020

(In thousands of dollars)

**Proprietary funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer and golf course operations, with the water and sewer considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insured health plan. Because this service benefits predominantly governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Conversely, the internal service fund is shown as a single presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 44 through 46.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan and other postemployment benefit (OPEB) plan. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The pension and OPEB plans are combined in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 47 through 48.

**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.

The notes to the basic financial statements can be found on pages 49 through 128.

**Other required supplementary information** – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which includes the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis and certain pension and other postemployment benefits information.

Other required supplementary information can be found on pages 130 through 149.

**Other information** – This report also presents other information that is presented for purposes of additional analysis and is not a required part of the financial statements, which includes the introductory section (pages 1 through 9), supplementary statements and schedules (pages 150 through 173) and statistical section (pages 175 through 203). A glossary begins on page 204.

### Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's



# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2020

(In thousands of dollars)

case, liabilities and deferred inflows exceeded assets and deferred outflows by \$751,509 at the close of the most recent fiscal year and are summarized as follows:

### Statements of Net Position

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 338,829	317,167	56,329	50,502	395,158	367,669
Capital assets	1,026,103	902,075	262,287	258,773	1,288,390	1,160,848
Total assets	<u>1,364,932</u>	<u>1,219,242</u>	<u>318,616</u>	<u>309,275</u>	<u>1,683,548</u>	<u>1,528,517</u>
Deferred outflows of resources	<u>158,022</u>	<u>172,839</u>	<u>11,850</u>	<u>8,149</u>	<u>169,872</u>	<u>180,988</u>
Long-term liabilities	2,078,615	2,032,972	235,306	216,083	2,313,921	2,249,055
Other liabilities	209,510	134,644	34,338	33,226	243,848	167,870
Total liabilities	<u>2,288,125</u>	<u>2,167,616</u>	<u>269,644</u>	<u>249,309</u>	<u>2,557,769</u>	<u>2,416,925</u>
Deferred inflows of resources	<u>43,712</u>	<u>9,607</u>	<u>3,448</u>	<u>1,723</u>	<u>47,160</u>	<u>11,330</u>
Net position:						
Net investment in capital assets	518,388	469,471	76,803	85,721	595,191	555,192
Restricted	62,968	70,836	-	-	62,968	70,836
Unrestricted	<u>(1,390,239)</u>	<u>(1,325,449)</u>	<u>(19,429)</u>	<u>(19,329)</u>	<u>(1,409,668)</u>	<u>(1,344,778)</u>
Total net position	<u>\$ (808,883)</u>	<u>(785,142)</u>	<u>57,374</u>	<u>66,392</u>	<u>(751,509)</u>	<u>(718,750)</u>

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress). The City uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net position shows a deficit balance of (\$1,409,668). However, this balance includes outstanding pension obligation bonds of \$102,310 for which there are no offsetting assets in the governmental funds. General obligation bonds were also issued to finance land acquisition and pollution remediation to make way for a for-profit hospital in the City's downtown as well as for rehabilitation of Union Station, which is owned by the City's redevelopment authority (a component unit). There are also no offsetting assets in the governmental funds for this debt, which had balances of \$1,095 and \$509, respectively, at year-end. Additionally, the City has a note payable of \$1,630 for improvement to neighborhood assets it does not own and also owes \$410 for the 2008 Blackstone Valley Visitors Center, which was destroyed by fire. Also on this list is \$28 debt for the airport, which is no longer owned by the City. Absent the aforementioned debt, there is a balance of (\$1,303,686) of unrestricted net position.

At the end of fiscal 2020, the City is able to report positive balances in water and sewer net positions for business-type activities and all but unrestricted net position in the governmental activities.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2020

(In thousands of dollars)

The long-term liabilities increased \$64,866 or 2.9% with the largest increase attributable to the increase in net OPEB liability \$107,686. The net pension liability experienced a decrease of \$76,486. Long-term bonds, notes payable and capital leases increased \$31,037 or 4.4%. Unamortized bond premiums increased \$2,070 and other long-term liabilities increased \$559.

Governmental activities had a net increase in other liabilities of \$74,866 or 55.6% as temporary notes payable increased \$50,321 and accounts payable and retainage payable increased \$24,239 attributable to increased borrowing for construction activity and other end of the year accrued expenses. Business-type activities had an increase in other liabilities of \$1,112 or 3.3% due to the increase in temporary notes payable by \$1,875.

Governmental activities capital assets net of depreciation increased by \$124,028 or 13.7% during fiscal 2020; additions to fixed assets totaled \$180,772 and depreciation totaled \$56,744. The largest acquisitions of capital assets during fiscal 2020 included construction-in-progress of the new South High School \$71,331, other school construction \$5,192, street and sidewalks \$17,886, construction-in-progress of a new minor league baseball park \$41,242, new parking garage and streetscape improvements within the baseball area \$9,084, parking garage renovations construction-in-progress \$9,992, parks improvements \$8,122, library renovations \$3,947, cemetery administrative building improvements \$516, building energy improvements \$1,500, fire department self-contained breathing apparatus \$1,038, fire pumper truck \$600, technology capital leases \$5,316, ten new school busses under capital leases \$729, three new school busses purchased \$296, DCU center improvements and equipment \$545, land for school \$450, other technology \$598, rolling equipment for parks \$379, and other fixed assets acquired in the year totaling \$2,009.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2020

(In thousands of dollars)

The City's total net position decreased by \$32,759 or 4.6%, summarized as follows:

### Statements of Activities

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 43,682	43,912	75,593	77,304	119,275	121,216
Operating grants and contributions	452,784	409,107	-	-	452,784	409,107
Capital grants and contributions	53,126	34,627	599	6,012	53,725	40,639
General revenues:						
Property taxes	308,857	297,653	-	-	308,857	297,653
Motor vehicle excise taxes	16,509	16,551	-	-	16,509	16,551
Intergovernmental	44,942	43,796	-	-	44,942	43,796
Other	18,279	22,947	-	-	18,279	22,947
Total revenues	<u>938,179</u>	<u>868,593</u>	<u>76,192</u>	<u>83,316</u>	<u>1,014,371</u>	<u>951,909</u>
Expenses:						
General government	35,888	33,886	-	-	35,888	33,886
Public safety	194,959	190,526	-	-	194,959	190,526
Health and human services	15,475	15,177	-	-	15,475	15,177
Education	594,223	555,917	-	-	594,223	555,917
Public works	57,829	57,070	-	-	57,829	57,070
Culture and recreation	33,819	31,662	-	-	33,819	31,662
Community development	10,401	8,952	-	-	10,401	8,952
Interest on debt	20,253	21,660	-	-	20,253	21,660
Water	-	-	31,704	29,511	31,704	29,511
Sewer	-	-	51,215	51,185	51,215	51,185
Golf course	-	-	1,608	1,564	1,608	1,564
Total expenses	<u>962,847</u>	<u>914,850</u>	<u>84,527</u>	<u>82,260</u>	<u>1,047,374</u>	<u>997,110</u>
Change in net position before transfers and contributions	(24,668)	(46,257)	(8,335)	1,056	(33,003)	(45,201)
Transfers	683	1,143	(683)	(1,143)	-	-
Contributions	<u>244</u>	<u>507</u>	<u>-</u>	<u>-</u>	<u>244</u>	<u>507</u>
Change in net position	(23,741)	(44,607)	(9,018)	(87)	(32,759)	(44,694)
Net position – beginning	(785,142)	(740,535)	66,392	66,479	(718,750)	(674,056)
Net position – ending	<u>\$ (808,883)</u>	<u>(785,142)</u>	<u>57,374</u>	<u>66,392</u>	<u>(751,509)</u>	<u>(718,750)</u>

**Governmental activities** – Governmental activities as shown in the statement of activities decreased the City's net position by \$23,741 for the year ended June 30, 2020 compared to decrease of \$44,607 for the prior year. The decrease in net position in governmental activities is explained by the following changes in revenue and expenses.

Total governmental activities program and general revenues were \$938,179 which was a \$69,586 or 8.0% increase over the previous fiscal year.

### Governmental Activities Program Revenues

Charges for services totaled \$43,682 and represented 4.7% of total governmental activity revenues and experienced a decrease from the prior year of \$230. The largest source is from public safety revenues which totaled \$20,981 or 48% of charges for services, decreased 1.8% from the prior year with the largest decrease coming from parking tickets and court fines which decreased 20% or \$488. The decline in these revenue were mostly during the period when the pandemic began. The community impact fees from marijuana establishments

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2020

(In thousands of dollars)

decreased \$460 to \$700 in fiscal 2020 due to timing of receipts in the second fiscal year of the opening of these adult use recreational shops. Code inspection fee revenue increased 18% or \$780 due to a higher number of large value building permits issued in fiscal 2020 compared to the prior year. Other public safety service fees had slight increases or decreases in revenue collected for police and fire auxiliary, inspectional service, emergency medical and other public safety fees. Public works totaled \$11,036 or 25% of charges from services and increased 6.1% or \$635 attributable to an increase in sewer capacity fees reserved for appropriation as a result of an increase in accrued revenue of \$1,028. General government totaled \$6,432 and decreased 1.9% over the prior year with fees from the City Clerk's office experiencing the largest decrease when revenue declined 38% during the pandemic period and the shut-down of city hall to the public. Administrative fees attributable to indirect cost allocation of federal awards increased.

Operating grants and contributions revenue totaled \$452,784 representing 48.3% of total governmental activity revenues and increased 10.7% over the prior year. The largest portion of operating grants is for educational purposes \$418,460 which increased 9% over the prior year. State aid for schools under M.G.L. Chapter 70 totaled \$275,495 and increased \$22,242 or 8.8% over the prior year because of an increase in the state foundation budget and foundation enrollment which increased 189 students. State and federal educational grants totaled \$59,453 a decrease of \$7,849 with the largest decrease a result of a grant for Puerto Rico hurricane relief that was a nonrecurring grant received in fiscal 2019. The state on-behalf of payments for teachers' pension expense, a noncash in-kind revenue and expense, totaled \$80,476 and increased 27% or \$16,954 over the prior year. Other operating grant revenue for general government, community development, culture and recreation, public safety, public works and health and human services totaled \$34,325, an increase of \$9,253 from the prior year due in part for grants received to respond to the COVID-19 public health crisis including a receipt from COVID-19 Relief fund of \$4,224; COVID-19 Shelter grants \$168; COVID-19 state health and human services grants \$400; and COVID-19 relief through community development block grants totaled \$2,027.

Capital grants totaled \$53,126 and represented 5.7% of total governmental activity revenues increasing \$18,499 from the prior year. Educational capital grants for school building repair and replacement receipts totaled \$37,084, an increase of \$8,760 from the prior year due to timing of the completion of projects and reimbursement of the grants. Public works received capital grants of \$4,157 for street resurfacing, parks and other projects, a recurring annual state grant that experienced a decrease of \$993 from the prior year. The city received \$9,084 in fiscal 2020 of a \$32,500 Massworks grant to finance streetscape and the construction of a new parking garage in the city's baseball improvement district. The City also received a \$2,000 donation for the \$12,700 renovation project of the public library.

### **Governmental Activities General Revenues**

Property tax revenue totaled \$308,857 and represented 32.9% of total governmental activity revenues and increased 3.8% because of additional commitments for tax increases and tax on new growth. The increase over prior year tax commitments totaled \$6,569 or 2.2% and taxes on new growth totaled \$6,494 or 2.1%.

Other general revenues totaled \$79,730 and represented 8.4% of total governmental activity revenues. This revenue decreased \$3,564 or 4.3% over the prior year. Most revenues remained level to the prior year. Investment income decreased \$2,257 because of lower interest rates and lower trust investment income. Miscellaneous revenue decreased \$1,566 because of a decrease in prior year receipts and prior year reversions.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2020

(In thousands of dollars)

There was also a decrease in program income on community development grants. Hotel and meals excise decreased \$631 because of shut-downs due to the pandemic.

#### **Governmental Activities Expenses**

Expenses of governmental activities totaled \$962,847, an increase over the prior year by \$47,997 or 5.2%. General government other expenses increased 5.9%, public safety increased 2.3%, health and human services expenses increased 2.0%, education expenses increased 6.9%, public works expenses increased 1.3%, culture and recreation expenses increased 6.8%, community development expenses increased 16.2%, and interest expense decreased 6.5% from the prior year.

General government includes the activities of fifteen departments including legislative, administrative, finance and technology. General government expenses totaled \$35,888 representing 3.7% of total governmental activities and increased \$2,002 or 5.9% over the prior year. There were 202 employees in general government at year-end compared to a total of 201 as of the prior year-end. Salaries and wages increased \$1,008 because of scheduled step increases and a 2% cost of living increase. OPEB expense increased \$1,638 and pension expense decreased \$1,273 after updates to actuarial valuations. Technology expenses increased \$928 including some new expenses related to remote work setup as a result of the pandemic which required a large number of employees to work remotely. Court judgements decreased \$451 mainly due to a decrease in property damage settlements. Other expenses increased \$152.

Public safety expenses includes police, fire, inspection, and emergency communications and totaled \$194,959 and represented 20.2% of the total governmental activities increasing \$4,433 or 2.3% over the prior year. Salaries and wages increased \$3,394 over the prior year. There were 1,032 employees at the end of the year compared to 1,039 as of the prior year end. Employees in public safety had salary increases for scheduled step increases and a 2% cost of living increase for all but police officials which has approximately 87 employees and whose collective bargaining unit was not settled in fiscal 2020. OPEB expense for public safety increased \$10,069 while pension expense decreased \$8,687 after updates to actuarial valuations.

Health and human services expenses totaled \$15,475 or 1.6% of total governmental activities increasing 2.0% over the prior year due to salary increases. There were 73 employees at the end of the year compared to 72 as of the prior year end. OPEB expense for health and human services increased \$23 while pension expense decreased \$319 after updates to actuarial valuations.

Education expenses include basic education for grades K - 12 as well as pre-K, nutrition and grant supplemental expenses. Education expenses totaled \$594,223 and represented 61.7% of total governmental activity expenses, increasing \$38,306 or 6.9% over the prior year. There were 3,988 employees at the end of the year compared to 3,863 as of the prior year end. Salaries increased \$15,829 because of increased staffing which was funded from the increase in Chapter 70 revenue as a result of the increase in the foundation enrollment that totaled 189 additional students. The salaries increased because of increased staffing and also 2% cost of living and scheduled step increases. OPEB expense for education increased \$9,222 while pension expense for the city plan decreased \$5,004 and the on-behalf of payments for the state teacher's retirement system increased \$16,954.

Public works expenses include the divisional activities of its administrative and finance division, engineering and architecture, street and sanitation, and central garage. Public works expenses totaled \$57,829 representing 6.0%

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of total governmental activities and increased 1.3% over the prior year. There were 167 employees at the end of the year compared to 164 as of the prior year end. Employees in public works had salary increases for scheduled step increases and a 2% cost of living increase. Salaries and wages decreased \$257 from the prior year due to an increase of public work payroll charged to water and sewer business activities. OPEB expense for public works increased \$1,074 while pension expense decreased \$638 after updates to actuarial valuations. Snow removal expense decreased \$391 because of lighter snowfall compared to the prior year. Streetlight expense decreased \$766 mainly because of the lower electricity costs due to street light upgrades and net metering credits received.

Culture and recreation expenses include activities of park and library departments and totaled \$33,819 or 3.5% of total governmental activities increasing \$2,157 or 6.8% over the prior year. There were 139 employees in parks and library at the end of the year compared to 142 as of the prior year-end. Employees had salary increases for scheduled step increases and a 2% cost of living increase. Salary and wages increased \$285. OPEB expense for increased \$966 while pension expense decreased \$642 after updates to actuarial valuations. Depreciation expense increased \$368. Expenses for capital outlays for park improvements and new equipment and trucks that did not meet the criteria of fixed asset additions increased \$954.

Community development expenses totaled \$10,401 or 1.1% of governmental activities and increased \$1,449 or 16% due to increases in federal grant activities including emergency aid to local small businesses for COVID-19 relief.

Interest expense on debt totaled \$20,253 or 2.1% of total governmental activities expenses and decreased \$1,407 while long term debt increased \$31,037. The decrease in interest is partly attributable to the decline in interest rates. Interest that was capitalized and not expensed for the baseball stadium construction totaled \$1,533 during the year.

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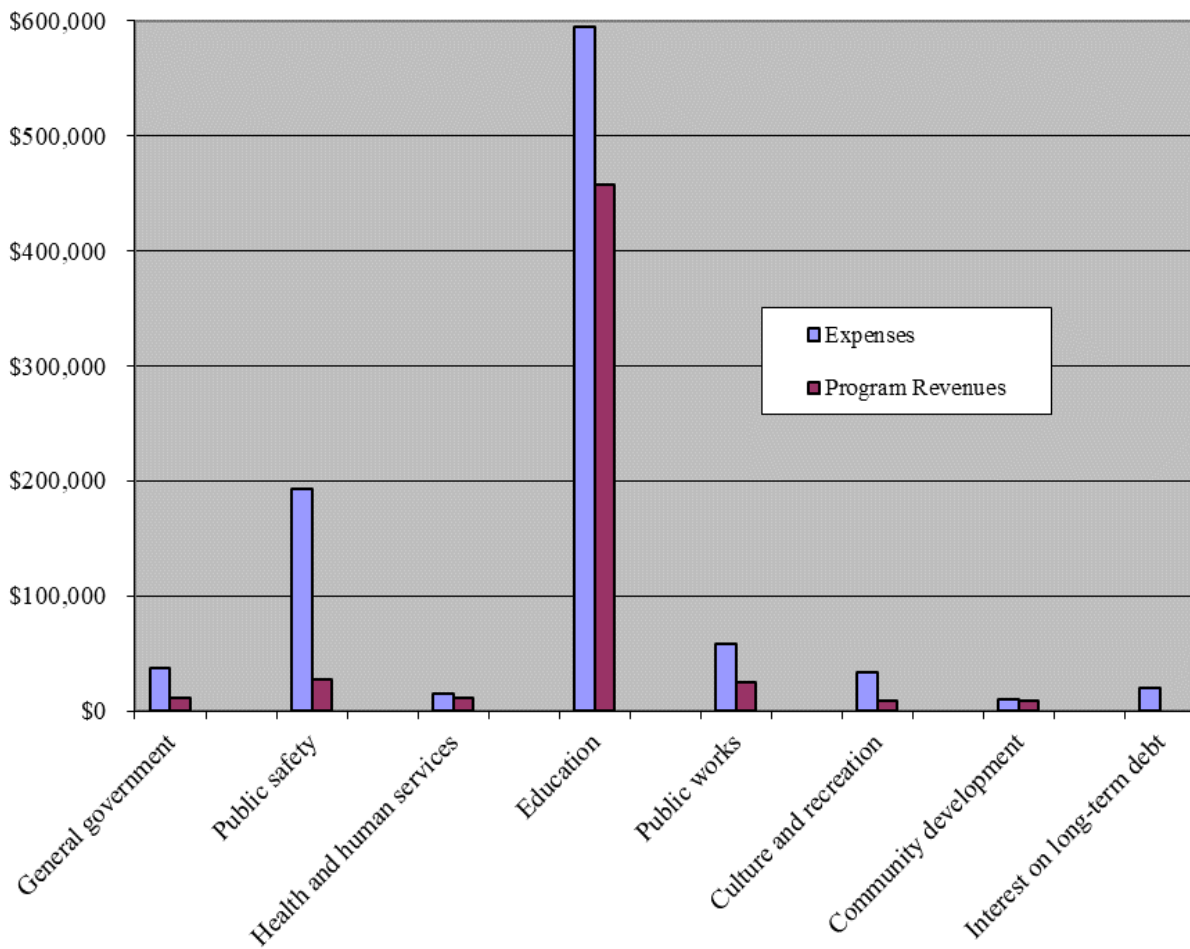
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Expenses by governmental activities compared with program revenue including charges for services and grants are represented in the following graph. Expenses that exceed program revenues are supported by general revenue.

#### FY 2020 Expenses and Program Revenues– Governmental Activities



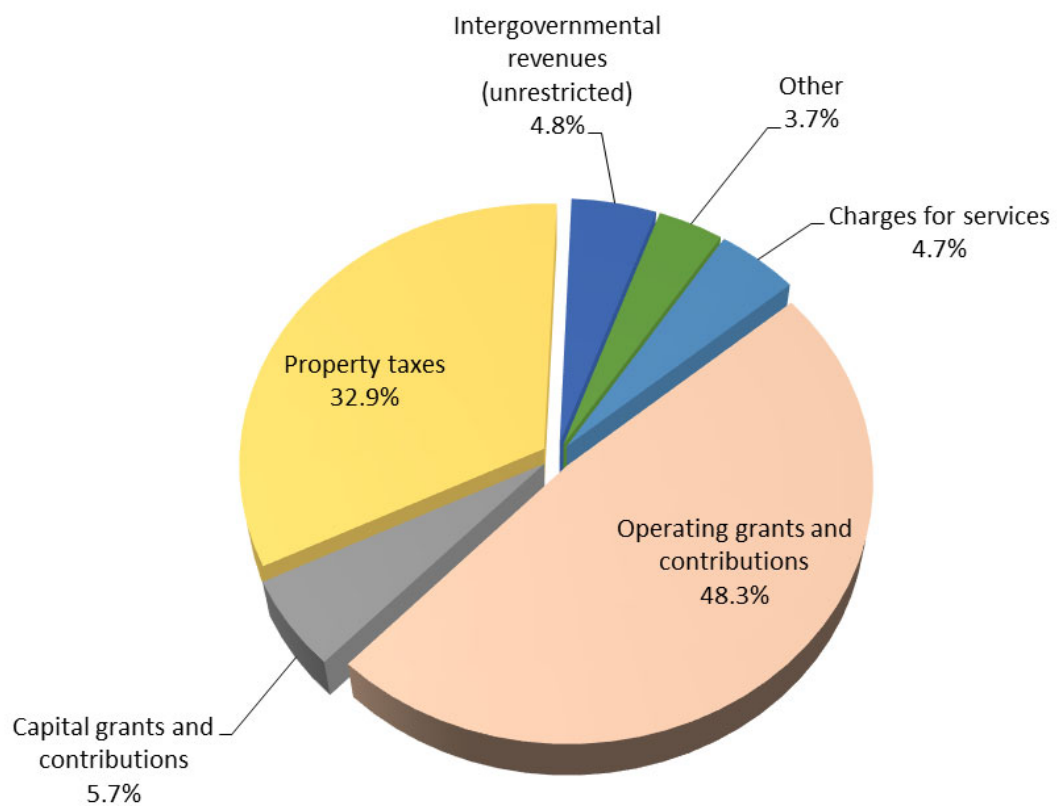
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**FY 2020 Revenues by Source – Governmental Activities**





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**Business-type activities** – Business-type activities decreased the City's net position by \$9,018.

- The water fund had an operating loss of \$686 and had a decrease in net position of \$3,263. This follows the previous year's operating income of \$2,679 with a decrease of \$806 in net position. Water rates did not change over the prior year and usage fees decreased \$605 or 2.1%. There were 98 employees at the end of the fiscal year compared to 99 as of the prior year-end. Salaries and fringes increased \$517 or 4.0% due to step increases and 2% cost of living increase. Ordinary maintenance expenses increased \$1,031 or 28% partly due to an increase in the estimated liability for workers compensation which increased \$510. OPEB expense increased \$1,478 while pension expense decreased \$662. There was an increase in accrued estimated liability for the present value of workers compensation claims \$510. The net investment in capital assets decreased \$1,590. Depreciation expense increased \$533.
- The sewer fund had an operating loss of \$1,999 and had a decrease in net position of \$5,775. This follows the previous year's operating loss of \$1,185 with a \$791 increase in net position. Sewer rates increased 5% over the prior year and usage fees decreased 0.7%. There were 54 employees at the end of the fiscal year compared to 54 as of the prior year-end. Salaries and fringes increased 1.2%. Ordinary maintenance decreased \$1,178 or 6% because of an estimated accrual for a legal settlement recorded in fiscal 2019 totaling \$1,000 which estimated liability did not change as of the current fiscal year. OPEB expense increased \$284 while pension expense decreased \$147. Capital grants for sewer projects from the state totaled \$399 a decrease of \$5,568 over the prior year because of the completion of a major sewer project funded 50% through state grants. The net investment in capital assets decreased \$7,327. Depreciation expense increased \$1,048.
- The golf course fund (nonmajor) had an operating loss of \$464 and net position increased by \$20. This follows the previous year's operating loss of \$341 and decrease in net position of \$72. Revenues decreased \$81 from the previous year as the golf course was shut down partly in the year because of the pandemic. There were 2 full-time employees employed at the golf course at year-end compared to 2 employees as of the prior year-end. Salaries and fringe increased \$11 and ordinary maintenance decreased \$22. The net investment in capital assets decreased \$1. The General Fund subsidized the golf enterprise with transfers of \$595 in fiscal 2020, compared to \$377 in the prior year.

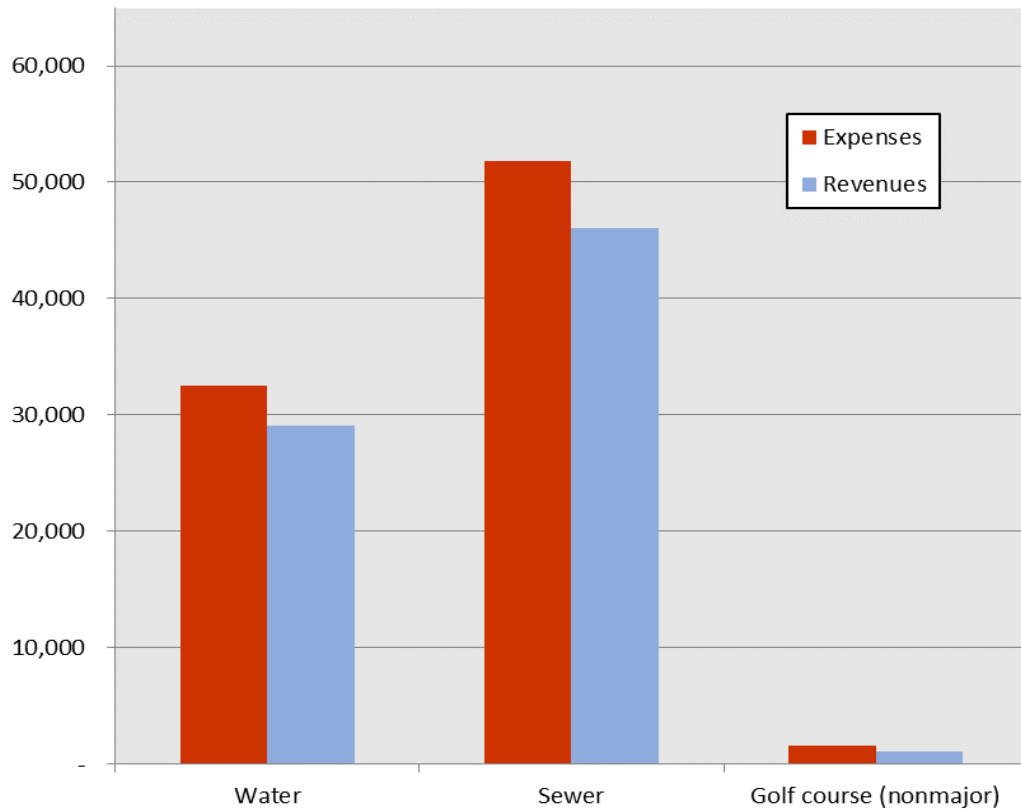
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**FY 2020 Expenses and Program Revenues – Business-type Activities**



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#### Financial Analysis of the City's Funds

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

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

At the end of fiscal 2020, the City's governmental funds reported combined ending fund balances of \$89,597 a decrease of \$56,932 or 38.9% from fiscal 2019. Fund balance includes \$15,717 of non-spendable amounts contained in nonexpendable permanent funds and \$53,226 of unassigned general fund balance available for spending at the City's discretion subject to state certification. Deficits of \$73,936 in major and non-major funds will be funded in future fiscal years through bond proceeds and state and federal grants. The remaining fund balance has \$47,895 restricted for specific purposes or by federal or state grants, \$20,938 of funds committed for future debt service and \$25,758 of funds committed in reserve for appropriation accounts by state law or City preference.

The general fund is the chief operating fund of the City. At the end of fiscal 2020, unassigned fund balance of the general fund was \$53,226 or 7.7% of total general fund revenues. Total expenditures exceeded revenue by \$6,756, while transfers out exceeded transfers in by \$11,464. Equipment included in expenditures was financed through capital leases totaling \$6,045. Beginning in fiscal 2020 the City contributed \$19,827 to a newly established irrevocable OPEB trust fund. The trust fund is included in fiduciary funds and the contribution from the general fund is included in fringe benefits expenditures. The OPEB contributions are the primary reason for the decrease in the general fund.

The debt service fund had a fund balance of \$20,938 at the end of fiscal 2020, a \$42 or .2% decrease from the previous year. During the year \$1,765 in meals and hotel tax revenue was received attributable to the DCU special district. There were \$14,186 net transfers in from the general fund. Debt service expenditures totaled \$16,250. Debt service paid included capital campaign fund \$7,538 which includes debt for construction on the vocational high school, library, and other school improvements; the CitySquare project \$4,130 which is self-funded debt from related district improvement financing revenue; North High school debt \$1,287; DCU special district debt \$3,161 currently self-funded debt from special district financing revenue; and other debt \$134 paid from designated debt service funds. The \$1,765 excise taxes received by the DCU special district decreased 26% or \$626 from the prior year as hotel and meals revenue declined due to the pandemic. A fund established in fiscal 2018 in accordance with the financial plan to prefund a debt service account for future bonds associated with the planned construction of two new high schools increased \$3,453 for a total fund balance of \$9,228 at June 30, 2020. The other fund balances at June 30, 2020 included; North High \$8,663; DCU \$761, CitySquare \$474, and other \$1,810.

The rehabilitation of public buildings fund was considered a major fund in fiscal 2020 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$16,228 and included renovations of parking garages \$9,992, the library \$3,947, and energy improvements \$1,500. The City received a donation of \$2,000 for the library renovation. Bonds and related premiums issued totaled \$11,769 to refinance \$11,666 of

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temporary notes outstanding at the prior year end. Temporary notes issued and outstanding as of June 30, 2020 for the projects totaled \$21,545. The fund balance as of June 30, 2020 was (\$14,944) and was partly financed by temporary notes that will be refinanced as bonds in the subsequent year.

The school construction fund was considered a major fund in fiscal 2020 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$77,423 for the year and included replacement costs for South High School \$71,331, planning costs for the replacement of Doherty High School \$1,262, and repairs of other school buildings \$4,830. Grant revenue from the Massachusetts School Building Authority totaled \$36,984. Bonds and related premiums issued totaled \$8,675 to refinance \$8,626 of temporary notes outstanding at the prior year end. Temporary notes issued and outstanding as of June 30, 2020 for the projects totaled \$31,193. The fund balance as of June 30, 2020 was (\$43,138) and was financed by temporary notes and other current liabilities.

Other governmental funds had a fund balance of \$73,516 as of June 30, 2020, a \$10,361 decrease from the previous year. Special revenue funds increased by \$10,197 as revenues of \$114,403 and premiums on issuance of bonds of \$669 exceeded expenditures of \$102,744 and net transfers out of \$2,131. The nonmajor capital project funds decreased \$20,738 as revenues of \$14,247, bond proceeds and related premiums of \$47,423 and net transfers in from other funds of \$381 were less than expenditures of \$82,789. Permanent funds increased \$180 as donations of \$244 and net investment income of \$97 exceeded expenditures of \$102 and net transfers out to other funds of \$60.

**Enterprise funds** – The City's enterprise funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Net position of the enterprise funds at the end of fiscal 2020 totaled \$57,374. There was a \$9,018 decrease in net position from current year operations. The water fund had a decrease in net position of \$3,263 while the sewer fund had a decrease of \$5,775 and the golf course fund (nonmajor) had an increase of \$20. Unrestricted net position consisted of (\$14,598) in the water fund, (\$3,883) in the sewer fund and (\$948) in the golf course fund (nonmajor). Net investment in capital assets consisted of \$50,213 in the water fund, \$26,348 in the sewer fund and \$242 in the golf fund. Other factors concerning the finances of these three funds have been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The City's final general fund revenue budget was \$4,956 higher than the original estimated revenues due mainly to an increase in state aid for public education after the original budget was passed.

The final budget for transfers-in increased by \$1,273 over original budget estimates. There were transfers from various special revenue fund accounts; \$477 from the reserve for cable access franchise fees to finance internet costs; \$567 from premium on loans to cover debt issuance costs; \$62 for vehicle insurance settlements; and \$126 from a rideshare fee reserve fund for street line painting. There was also a \$41 transfer the OPEB trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$7,292 higher than the original budget. The largest increases were a result of additional funding sources including state aid, premiums on bond and BAN sales, and appropriation of fiscal 2019 free cash. The education budget including related fringe benefits increased \$4,607 and charter school

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assessments increased \$628 that was supported by the increase in state aid for public education. The fire department final budget increased \$1,484 for the acquisition of firefighting equipment totaling \$638, an increase of \$579 to support salary increases and \$267 increase in ordinary maintenance. The Treasury department's ordinary maintenance budget increased \$567 for the aforementioned transfer from special revenue to cover debt issuance costs. The technical services departmental budget for ordinary maintenance increased \$603 funded in part by the aforementioned transfer from cable fees of \$477. The budget for operating expenses increased \$1,181 for the appropriation of fiscal 2019 free cash, much of which was appropriated for equipment by public works. Several transfers were made between department budgets including \$1,642 from the contingency which was used for fire equipment and other departmental capital outlays and to balance departmental budget lines. The original budget for snow removal was underspent by \$1,838. Salaries and overtime expenditures in the aggregate were under the final budget allocation by \$2,419 partly because of vacancies.

The final budget for transfers-out increased from the original budget by \$2,167. Subsequent transfers included \$1,772 in additional transfers to the OPEB Trust fund from appropriated free cash and \$395 to provide additional subsidies to the golf enterprise in addition to the originally budgeted subsidy of \$200.

The general fund had a net increase in the budgetary basis fund balance by \$6,317 during the year and was higher than the budgeted deficit of \$2,953 by \$9,270. By comparison, the net changes in the previous three fiscal years were \$5,493, \$152, and \$6,933. The budgeted deficit of \$2,953 included free cash appropriations from unassigned general fund totaling \$5,906 offset by an intrafund transfer to the bond rating stabilization fund, a reserve account of the general fund, of \$2,953. The year-end unassigned fund balance on a budgetary basis totaled \$52,844. Revenues were less than budget estimates by \$952. Actual expenses were less than budgeted appropriations by \$9,931 and intergovernmental charges were less than budgeted estimates by \$280.

Revenue accounts with the largest positive variances included inspectional service permits which exceed estimates by \$925 due to an increase in building permit revenue and in particular permits for large projects by local colleges. Other revenues that exceeded estimates included solar renewable energy certificates \$850, marijuana host agreements \$450, and homeless student transportation \$574.

Expenditures with the largest unspent appropriation from the final budget included general government \$2,084 or 8% of its budget, public safety \$1,516 or 1.5% of its budget, snow removal \$1,838 or 30.6% of its budget, and fringe benefits \$1,876 or 1.5% of its budget.

### **Capital Assets and Debt Administration**

**Capital assets** – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$1,288,390. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress, net of depreciation. The net increase in the City's investment in capital assets for the current year was \$127,542 or 11.0%. Governmental activities increased by \$124,028 or 13.7% and business-type activities increased by \$3,514 or 1.4%. Governmental activities fixed asset acquisitions totaled \$180,772 and depreciation for the year totaled \$56,744.

Major capital asset events during the current fiscal year for acquisitions of \$50 or more included the following:

- Streets and sidewalks were improved with capitalized costs added to infrastructure totaling \$16,857 including resurfacing projects \$11,144; and other street and sidewalk projects \$5,713.

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- Worcester's minor league baseball park development continued in fiscal 2020 with incurred stadium construction costs totaling \$41,242 financed by district improvement bonds. Cumulative construction in progress stadium costs totaled \$56,412. Area redevelopment costs totaled \$9,084 financed by a state Massworks grant.
- Rehab on city parking garages continued in fiscal 2020 totaling \$9,992 and is included in construction in progress. Cumulative construction in progress for the two year duration of the rehab project totaled \$20,138.
- Capitalized costs for park improvements for playgrounds, basketball courts, skateboard park design, security cameras, monument restoration and historical preservation costs totaled \$5,505. Construction in progress costs for a new ball field at Institute park \$2,585.
- Total capitalized costs for school construction was \$76,605. The Massachusetts School Building Authority (MSBA) the state agency that supports the construction of public school facilities approved the replacement of South High School with a budget of \$209,971. Expenditures for construction in progress that were incurred in fiscal 2020 totaled \$71,331 and cumulative costs totaling \$107,908 reimbursements from the MSBA on this school totaled \$36,131 in fiscal 2020 and cumulatively totaled \$59,638. Costs related to the replacement of Doherty High school totaled \$1,262. Other MSBA school building improvements incurred during fiscal 2020 totaled \$3,930 and included window and door replacement and energy improvements. Revenues for the other school projects received during the year totaled \$853.
- Capitalized costs for improvements to the DCU Center totaled \$545 which included ice rink system replacement \$182, new ice resurfacing equipment \$114, and other upgrades \$249.
- Included in capitalized costs for rehabilitation of other public buildings were continued energy improvements including LED light conversion \$1,500, elevator upgrades at City Hall \$160, renovations at the Hope Cemetery administrative building \$517, at the senior center \$123, at the fire department \$205, at the police department \$231, and construction in progress of a major renovation project at the public library \$3,947.
- Capitalized costs for rolling equipment totaled \$2,220 including the ice resurfacing equipment at the DCU Center listed above \$114. New additions included a new fire engine pumper truck \$600, 10 mid-sized busses under a capital lease \$729; three new large busses \$296; mower \$64; and seven heavy duty pickup trucks \$417.
- The school department acquired computers and other technology under capital leases and through purchase totaling \$1,767. Data center technology equipment acquired by capital leases totaled \$2,650, and other technology equipment acquired by capital leases totaled \$899.
- Fire department self-contained breathing apparatus equipment totaled \$1,038.
- Solar powered signal installations totaled \$1,029.
- Other capitalized additions for fiscal 202 totaled \$1,631.
- Land acquisitions included \$450 for school use and \$104 for parks and recreation.

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- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$24,282. Of this amount, \$12,749 was for sewer infrastructure projects and \$11,264 for water infrastructure and building projects. Capitalized equipment and vehicles for sewer and water totaled \$269.

The following table summarizes the City's capital assets (net of accumulated depreciation):

Capital assets (net of accumulated depreciation)						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 23,631	23,077	7,949	7,949	31,580	31,026
Buildings	437,284	454,827	21,594	20,762	458,878	475,589
Improvements, other than buildings	169,829	175,512	-	-	169,829	175,512
Equipment and other	21,180	15,743	2,409	2,886	23,589	18,629
Rolling equipment	10,441	10,916	2,808	3,466	13,249	14,382
Infrastructure	162,655	159,460	227,527	223,710	390,182	383,170
Construction in progress	201,083	62,540	-	-	201,083	62,540
Total	\$ 1,026,103	902,075	262,287	258,773	1,288,390	1,160,848

Additional information on the City's capital assets can be found in note 11 of this report.

**Long-term debt** - At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$733,262, an increase of \$31,037 or 4.4% from the prior fiscal year. General obligation bonds totaling \$712,384 comprises debt backed by the full faith and credit of the City.

Long-term debt						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 543,745	527,871	168,639	156,062	712,384	683,933
Notes from direct borrowings	1,630	1,718	4,479	4,763	6,109	6,481
Capital lease payable	14,769	11,811	-	-	14,769	11,811
Total	\$ 560,144	541,400	173,118	160,825	733,262	702,225

On February 12, 2020 the City issued \$86,040 for current projects. The proceeds consisted of \$63,173 for governmental activities and \$22,867 for business-type activities.

In relation to the above debt the City maintained its credit rating of Aa3 from Moody's Investors Service; AA- by Standard and Poor's; and AA by Fitch Ratings. All three credit ratings affirmed stable outlooks for the City.

Massachusetts General Law subjects the City to a dual-level general debt limit: the normal debt limit and double debt limit. Such limits, known as inside debt limit, are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of a board comprised of the state Auditor, state Treasurer, Attorney General and

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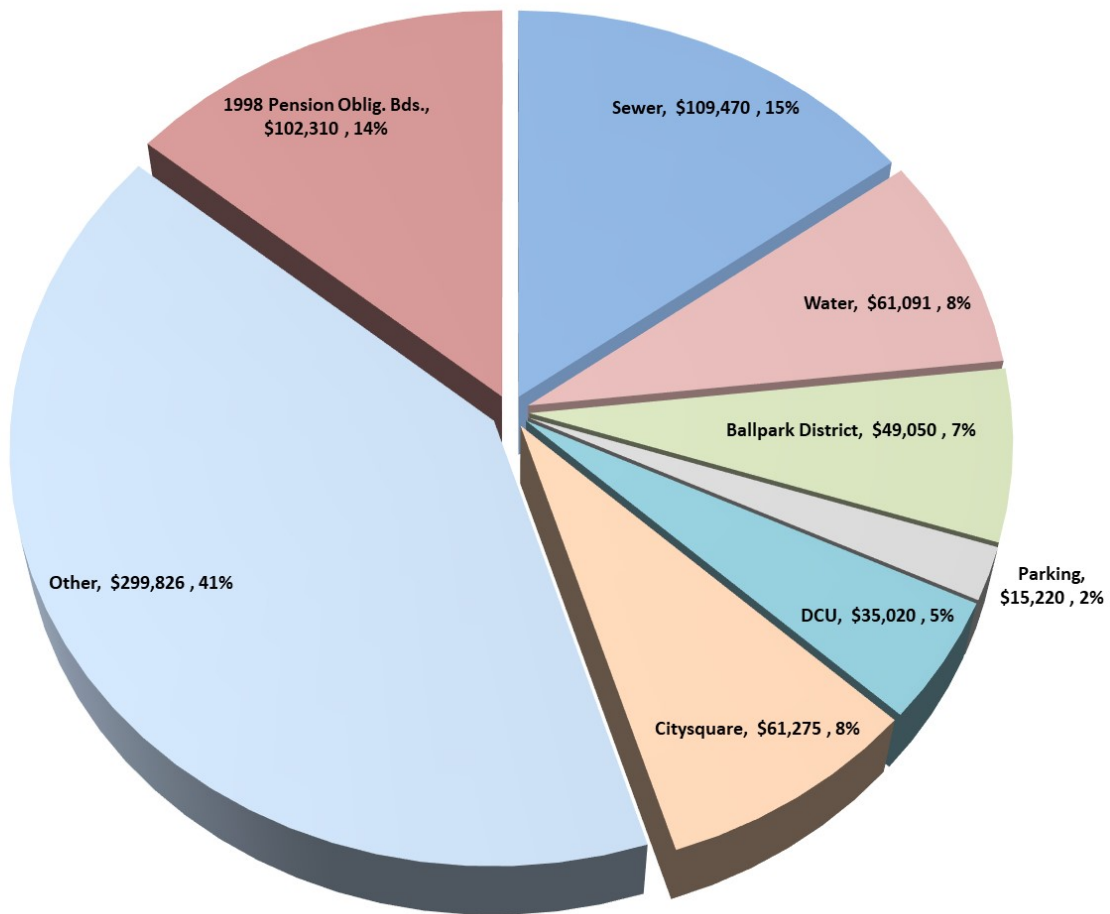
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Director of Accounts. Additionally, certain categories of general obligation debt, known as outside debt limit, are exempt from the debt limit but subject to other limitations.

#### Long-Term Debt



A portion of the long-term debt is supported by fees from water and sewer usage, public parking garage receipts, and DCU Center operating revenue. Debt related to district improvement financing (DIF) capital projects for CitySquare, DCU Center, and the baseball district are to be supported from new revenue sources generated within or for the designated geographic areas. The CitySquare DIF is supported from tax incremental financing (TIF) on private redevelopment. Excise tax revenue from hotel occupancy and meals from designated hotels support the related debt service of the DCU Center DIF. Upon completion of the baseball stadium in 2021, the related debt will be supported from TIF revenue within the baseball district, team lease revenue and ballpark ancillary revenues.



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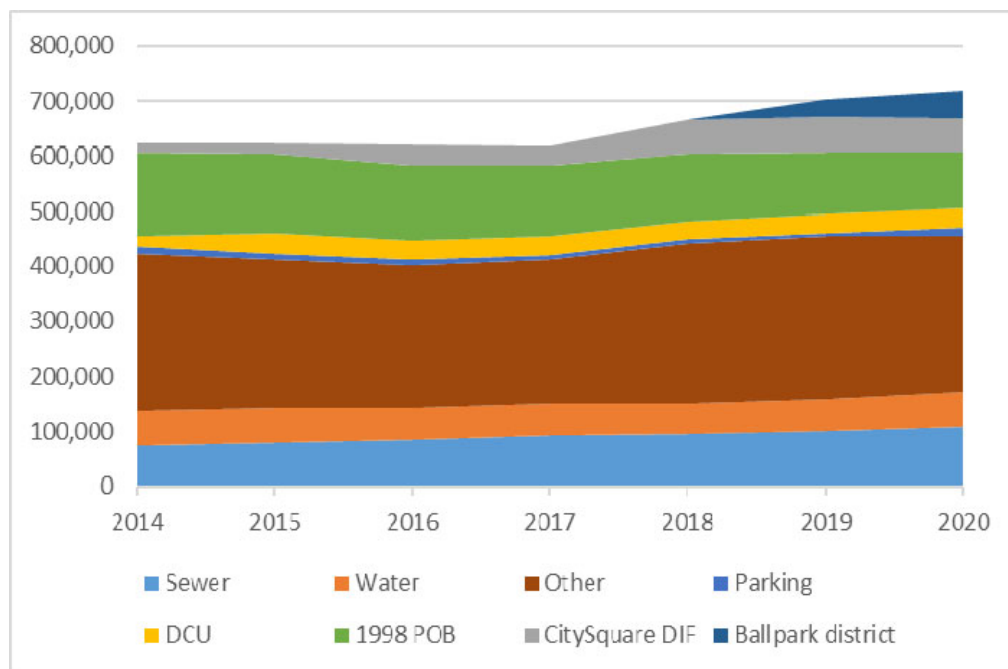
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The pension obligation bonds issued in 1998 and expiring in 2028 are serviced from the city and schools' general fund budgets, the enterprise funds, and the Worcester Housing Authority through its share of the retirement contribution.

Other outstanding long-term debt totaled \$299,826 and is paid primarily from the general fund. This includes outstanding long-term debt related to schools \$80,609, other public buildings \$28,526, energy efficiency and renewable projects \$58,235 streets and sidewalks \$63,967, parks \$33,622, equipment \$8,133, golf course \$2,557, capital leases \$14,769 and other purposes \$9,408. Future general fund revenue from the MSBA related to prior school construction debt totals \$15,135. Debt service reserves related to school debt totaled \$18,198.

#### Long-term debt, seven-year trend



Additional information on the City's long-term debt can be found in note 14 of this report.

#### Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the state's Executive Office of Labor and Workforce Development the City's unemployment rate was 20.6% at June 30, 2020, compared with a 3.9% rate that existed a year earlier. The increase in unemployment was a result of the impact on the economy by the pandemic that included a state of emergency and business shutdowns that began in March 2020. The state and national unemployment figures at June 30, 2020 were 17.8% and 11.2%, respectively. More recent statistics show unemployment rates of 8.4% local, 6.9% state, and 6.6% nationally as of October 31, 2020.

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Taxable assessed property values increased 8.3% to \$14,646,165 in fiscal 2020 of which new growth valuations was \$216,975 or 1.6%. Residential real estate totaled \$10,948,970 and increased 9.5% including new growth \$63,801 or 0.6%; commercial and industrial real estate totaled \$2,820,972 and increased 3.5% including new growth \$18,565 or 0.7%; and personal property totaled \$876,223 a net increase of 9.4% including new growth \$134,609 or 16.8%.

The fiscal 2021 general fund budget as adjusted at the tax classification anticipates total revenues of \$703,347 and transfers from other funds of \$1,925 compared with actual results of \$689,048 and \$3,851 respectively in fiscal 2020. Fiscal 2020 free cash appropriated in fiscal 2021 totaled \$10,254. It is anticipated that property tax revenue will increase by \$18,547 or 6.0% over the prior year by taxing new growth and increasing the tax levy as allowed under the state's tax limiting law "Proposition 2½". The City also has available an unused tax levy capacity of \$19,475 as of June 30, 2020, which was not used in prior years when the City did not tax up to the annual allowable increase. Additionally, state local aid is anticipated to increase by \$1,294 or 0.4% over fiscal 2020 as the state's final budget assumed near level funding on aid to local governments. Other revenue categories were budgeted at approximately 88% of fiscal 2020 actual receipts because of an expected decrease in local receipts as a result of the impact of the pandemic on the economy in fiscal 2021.

The fiscal 2021 general fund budget as updated at the tax classification anticipates total expenditures of \$688,347 and transfers to other funds of \$22,052 compared with actual results of \$668,870 and \$17,711 in the prior year. Fiscal 2021 budgeted expenditures and transfers out increased over the prior year actual amounts by \$23,818 or 3.5%, including \$2,863 or 0.8% for the school department, \$931 or 3.4% for charter school assessments, \$1,837 or 44% for snow removal, \$1,025 or 2.0% for debt service, \$9,245 or 7.7% for fringe benefits, \$4,340 or 24.5% for transfers. In addition there is \$3,175 in the contingency to provide some budget flexibility. Transfers out includes prefunding debt service of school bonds in the debt service fund in the amount of \$6,379 which is an increase of \$3,051 over the previous fiscal year transfer. OPEB contributions above pay-as-you-go benefits totaled \$3,808 an increase of \$1,371 over the previous year.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer and water funds are each budgeted to have revenue equal expenditures and transfers out and the golf course is budgeted to need a \$200 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive \$46,917 in total revenues, \$1,041 more than the prior year actual and water revenue is budgeted to receive \$27,264 in total revenues, \$2,307 less than the prior year actual. Sewer rates were increased by 4.5% from the prior year and water rates remained unchanged. The golf course anticipates revenues of \$1,617, which is \$586 more than the prior year actual.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Auditor, 455 Main Street, Worcester, Massachusetts 01608.

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# **BASIC FINANCIAL STATEMENTS**

## CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Position  
June 30, 2020

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 197,244,227	24,273,750	221,517,977	2,510,542	3,160,519
Restricted cash and cash equivalents	73,555,251	15,118,017	88,673,268	3,808,306	-
Restricted investments	21,757,474	-	21,757,474	-	12,524,510
Receivables (net of allowance for uncollectibles)	27,910,974	16,936,953	44,847,927	538,310	730,832
Intergovernmental receivables	14,357,690	-	14,357,690	-	445,407
Prepaid expenses	-	-	-	271,704	58,845
Total current assets	334,825,616	56,328,720	391,154,336	7,128,862	16,920,113
Noncurrent assets:					
Intergovernmental receivables	4,003,033	-	4,003,033	-	1,403,451
Assets held for City of Worcester - Ballpark	-	-	-	60,096,647	-
Capital assets, not being depreciated	224,714,209	7,948,988	232,663,197	8,782,054	8,148,111
Capital assets, net of accumulated depreciation	801,388,652	254,338,457	1,055,727,109	21,951,248	161,806,656
Total noncurrent assets	1,030,105,894	262,287,445	1,292,393,339	90,829,949	171,358,218
<b>Total assets</b>	<b>1,364,931,510</b>	<b>318,616,165</b>	<b>1,683,547,675</b>	<b>97,958,811</b>	<b>188,278,331</b>
<b>Deferred outflows of resources:</b>					
Related to pensions	49,476,935	3,466,203	52,943,138	-	1,790,256
Related to OPEB	108,545,268	8,383,996	116,929,264	-	1,581,737
Loss on refunding	-	-	-	-	271,833
<b>Total deferred outflows of resources</b>	<b>158,022,203</b>	<b>11,850,199</b>	<b>169,872,402</b>	<b>-</b>	<b>3,643,826</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	79,648,225	5,483,078	85,131,303	4,181,350	740,686
Accrued liabilities	15,490,391	1,748,796	17,239,187	4,201,106	1,583,275
Retainage payable	6,108,008	441,939	6,549,947	-	-
Other liabilities	9,024,126	-	9,024,126	31,035	-
Temporary notes payable	99,238,673	26,664,417	125,903,090	-	-
Advances from City of Worcester - Ballpark	-	-	-	3,793,121	-
Noncurrent liabilities due within one year	71,783,391	13,411,339	85,194,730	14,194,406	8,923,725
Total current liabilities	281,292,814	47,749,569	329,042,383	26,401,018	11,247,686
Noncurrent liabilities:					
Net pension liability	454,354,733	26,634,913	480,989,646	-	9,534,432
Net OPEB liability	999,158,393	27,169,876	1,026,328,269	-	2,802,336
Due to City of Worcester - Ballpark assets	-	-	-	60,096,647	-
Other noncurrent liabilities due in more than one year	553,318,724	168,089,710	721,408,434	706,043	146,887,970
Total noncurrent liabilities	2,006,831,850	221,894,499	2,228,726,349	60,802,690	159,224,738
<b>Total liabilities</b>	<b>2,288,124,664</b>	<b>269,644,068</b>	<b>2,557,768,732</b>	<b>87,203,708</b>	<b>170,472,424</b>
<b>Deferred inflows of resources:</b>					
Related to pensions	43,314,475	3,437,850	46,752,325	-	428,970
Related to OPEB	397,196	10,803	407,999	-	1,984,346
<b>Total deferred inflows of resources</b>	<b>43,711,671</b>	<b>3,448,653</b>	<b>47,160,324</b>	<b>-</b>	<b>2,413,316</b>
<b>Net position:</b>					
Net investment in capital assets	518,388,265	76,802,559	595,190,824	23,622,086	16,183,699
Restricted for:					
Nonexpendable permanent funds:					
Libraries	7,264,218	-	7,264,218	-	-
Hope Cemetery	4,157,133	-	4,157,133	-	-
Health and human services	2,739,907	-	2,739,907	-	-
Other nonexpendable permanent funds	1,555,712	-	1,555,712	-	-
Expendable permanent funds:					
Libraries	3,738,315	-	3,738,315	-	-
Hope Cemetery	795,300	-	795,300	-	-
Health and human services	829,157	-	829,157	-	-
Other nonexpendable permanent funds	869,000	-	869,000	-	-
State and federal grants	10,487,333	-	10,487,333	-	-
Culture & recreation grants	2,057,053	-	2,057,053	-	-
General government grants	4,751,413	-	4,751,413	-	-
Health and human services grants	749,721	-	749,721	-	-
Library grants	1,592,068	-	1,592,068	-	-
Public safety grants	6,244,811	-	6,244,811	-	-
Public works grants	3,712,236	-	3,712,236	-	-
Educational grants	11,424,792	-	11,424,792	-	-
Unrestricted (deficit)	(1,390,239,056)	(19,428,916)	(1,409,667,972)	(12,866,983)	2,852,718
<b>Total net position</b>	<b>\$ (808,882,622)</b>	<b>57,373,643</b>	<b>(751,508,979)</b>	<b>10,755,103</b>	<b>19,036,417</b>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/programs	Expenses	Program revenues			Net (expense)/ revenue
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Primary government:					
Governmental activities:					
General government	\$ 35,888,345	6,431,962	4,950,164	-	(24,506,219)
Public safety	194,958,600	20,980,883	6,276,385	-	(167,701,332)
Health and human services	15,474,567	1,364,058	10,057,961	-	(4,052,548)
Education	594,222,319	2,001,294	418,459,530	37,084,062	(136,677,433)
Public works	57,829,336	11,036,000	98,615	13,240,624	(33,454,097)
Culture and recreation	33,819,390	1,829,098	3,716,470	2,801,372	(25,472,450)
Community development	10,401,474	38,230	9,225,247	-	(1,137,997)
Interest on debt	20,252,528	-	-	-	(20,252,528)
Total governmental activities	962,846,559	43,681,525	452,784,372	53,126,058	(413,254,604)
Business-type activities:					
Water	31,703,989	28,915,199	-	200,000	(2,588,790)
Sewer	51,215,341	45,624,994	-	398,670	(5,191,677)
Golf course (nonmajor)	1,608,113	1,053,263	-	-	(554,850)
Total business-type activities	84,527,443	75,593,456	-	598,670	(8,335,317)
Total primary government	\$ 1,047,374,002	119,274,981	452,784,372	53,724,728	(421,589,921)
Component units:					
Worcester Redevelopment Authority	\$ 3,164,714	576,111	-	1,391,833	(1,196,770)
Upper Blackstone Water Pollution Abatement District	29,504,385	29,242,587	-	622,297	360,499
Total component units	\$ 32,669,099	29,818,698	-	2,014,130	(836,271)

(Continued)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Changes in net position:					
Net (expense) revenue (from previous page)	\$ (413,254,604)	(8,335,317)	(421,589,921)	(1,196,770)	360,499
General revenues:					
Property taxes	308,856,536	-	308,856,536	-	-
Motor vehicle excise taxes	16,508,606	-	16,508,606	-	-
Other taxes and in-lieu payments	7,297,312	-	7,297,312	-	-
Penalties and interest on taxes	2,260,168	-	2,260,168	-	-
Intergovernmental (unrestricted)	44,942,644	-	44,942,644	-	-
Investment earnings	3,074,699	-	3,074,699	24,378	283,011
Gain (loss) on sale of capital assets	-	-	-	-	-
Energy sales and rebates	3,166,149	-	3,166,149	-	-
Miscellaneous	2,481,449	-	2,481,449	-	-
Transfers (net)	682,894	(682,894)	-	-	-
Total general revenues and transfers (net)	389,270,457	(682,894)	388,587,563	24,378	283,011
Contributions to permanent funds	243,772	-	243,772	-	-
Sub-total	389,514,229	(682,894)	388,831,335	24,378	283,011
Change in net position	(23,740,375)	(9,018,211)	(32,758,586)	(1,172,392)	643,510
Net position - beginning *	(785,142,247)	66,391,854	(718,750,393)	11,927,495	18,392,907
Net position - ending	\$ (808,882,622)	57,373,643	(751,508,979)	10,755,103	19,036,417

(Concluded)

\* Restated for the Upper Blackstone Water Pollution Abatement District

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Balance Sheet

## Governmental Funds

June 30, 2020

	General	Debt Service	Rehabilitation of Public Buildings	School Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 110,493,547	20,937,637	11,302,773	7,116,268	25,758,278	175,608,503
Restricted cash and cash equivalents	-	-	-	-	73,555,251	73,555,251
Restricted investments	-	-	-	-	21,757,474	21,757,474
Due from other funds	1,076,633	-	-	-	-	1,076,633
Receivables (net of allowance for uncollectibles)	19,304,451	-	-	-	3,005,639	22,310,090
Intergovernmental receivables	9,743,283	-	-	2,736,850	5,880,590	18,360,723
<b>Total assets</b>	<b>\$ 140,617,914</b>	<b>20,937,637</b>	<b>11,302,773</b>	<b>9,853,118</b>	<b>129,957,232</b>	<b>312,668,674</b>
<b>Liabilities:</b>						
Accounts payable	\$ 55,465,200	-	3,353,785	17,429,192	3,400,048	79,648,225
Due to general fund	-	-	-	-	1,076,633	1,076,633
Retainage payable	-	-	1,348,214	4,368,823	390,971	6,108,008
Temporary loans	-	-	21,544,561	31,193,279	46,500,833	99,238,673
Other liabilities	6,956,826	-	-	-	2,067,300	9,024,126
<b>Total liabilities</b>	<b>62,422,026</b>	<b>-</b>	<b>26,246,560</b>	<b>52,991,294</b>	<b>53,435,785</b>	<b>195,095,665</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-school construction reimbursement	8,006,066	-	-	-	-	8,006,066
Unavailable revenue-property taxes	9,326,035	-	-	-	-	9,326,035
Unavailable revenue-other	7,637,872	-	-	-	3,005,639	10,643,511
<b>Total deferred inflows of resources</b>	<b>24,969,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,005,639</b>	<b>27,975,612</b>
<b>Fund balances:</b>						
Nonspendable	-	-	-	-	15,716,970	15,716,970
Restricted	-	-	-	-	47,894,753	47,894,753
Committed	-	20,937,637	-	-	25,758,278	46,695,915
Unassigned	53,225,915	-	(14,943,787)	(43,138,176)	(15,854,193)	(20,710,241)
<b>Total fund balances</b>	<b>53,225,915</b>	<b>20,937,637</b>	<b>(14,943,787)</b>	<b>(43,138,176)</b>	<b>73,515,808</b>	<b>89,597,397</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 140,617,914</b>	<b>20,937,637</b>	<b>11,302,773</b>	<b>9,853,118</b>	<b>129,957,232</b>	<b>312,668,674</b>

See accompanying notes to basic financial statements.



## CITY OF WORCESTER, MASSACHUSETTS

## Reconciliation of the Governmental Funds Balance Sheet

## Total Fund Balances to the Statement of Net Position

June 30, 2020

Total governmental fund balances (Exhibit 3)	\$ 89,597,397
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	1,026,102,861
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	27,975,612
An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	19,763,100
In the statement of net position, interest is accrued on outstanding long-term debt and temporary notes, whereas in the governmental funds interest is not reported until due.	(8,016,883)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds.	6,162,460
Deferred outflows and inflows of resources of OPEB are not reported in government funds.	108,148,072
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and notes payable, net of unamortized premiums	(567,109,866)
Capital lease payable	(14,770,090)
Net pension liability	(454,354,733)
Net OPEB liability	(999,158,393)
Judgments and claims	(16,030,654)
Compensated absences	(15,892,505)
Landfill closure costs and post closure costs	<u>(11,299,000)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ (808,882,622)</u></u>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Fiscal Year Ended June 30, 2020

	General	Debt Service	Rehabilitation of Public Buildings	School Construction	Other governmental funds	Total governmental funds
<b>Revenues:</b>						
Property taxes	\$ 306,738,203	-	-	-	-	306,738,203
Motor vehicle excise taxes	15,688,990	-	-	-	-	15,688,990
Other taxes and in-lieu payments	6,188,082	1,765,013	-	-	-	7,953,095
Penalties and interest on taxes	2,260,168	-	-	-	-	2,260,168
Licenses and permits	7,442,651	-	-	-	-	7,442,651
Intergovernmental	335,006,355	-	-	36,984,062	98,469,831	470,460,248
Charges for services	6,692,353	-	-	-	25,234,146	31,926,499
Fines and forfeitures	1,899,536	-	-	-	-	1,899,536
Investment earnings (losses)	2,515,712	256,982	-	-	302,005	3,074,699
Donations	-	-	2,000,000	100,000	3,507,213	5,607,213
Contributions to permanent funds	-	-	-	-	243,772	243,772
Energy sales and rebates	2,120,630	-	-	-	1,045,519	3,166,149
Miscellaneous	2,292,777	-	-	-	188,672	2,481,449
<b>Total revenues</b>	<b>688,845,457</b>	<b>2,021,995</b>	<b>2,000,000</b>	<b>37,084,062</b>	<b>128,991,158</b>	<b>858,942,672</b>
<b>Expenditures:</b>						
Current:						
General government	24,115,514	-	1,750,777	-	3,772,054	29,638,345
Public safety	103,936,202	-	444,344	-	17,727,182	122,107,728
Health and human services	3,939,328	-	-	-	8,780,183	12,719,511
Education	303,527,829	-	-	77,423,179	54,589,919	435,540,927
Public works	20,441,357	-	9,971,671	-	72,056,791	102,469,819
Culture and recreation	11,859,504	-	4,061,110	-	13,846,736	29,767,350
Fringe benefits	141,355,299	-	-	-	-	141,355,299
Community development	-	-	-	-	10,336,114	10,336,114
State and regional charges	34,531,352	-	-	-	-	34,531,352
Debt service:						
Principal	34,359,280	10,871,260	-	-	2,156,257	47,386,797
Interest	17,535,996	5,379,098	-	-	2,369,998	25,285,092
<b>Total expenditures</b>	<b>695,601,661</b>	<b>16,250,358</b>	<b>16,227,902</b>	<b>77,423,179</b>	<b>185,635,234</b>	<b>991,138,334</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,756,204)</b>	<b>(14,228,363)</b>	<b>(14,227,902)</b>	<b>(40,339,117)</b>	<b>(56,644,076)</b>	<b>(132,195,662)</b>
<b>Other financing sources (uses):</b>						
Transfers in	3,809,946	14,686,326	-	450,003	7,122,414	26,068,689
Transfers out	(15,274,139)	(500,000)	(679,882)	-	(8,931,774)	(25,385,795)
Premium on issuance of bonds and notes	-	-	799,780	2,728,634	1,834,836	5,363,250
Issuance of bonds	-	-	10,969,303	5,946,243	46,257,277	63,172,823
Capital lease	6,045,068	-	-	-	-	6,045,068
<b>Total other financing sources (uses)</b>	<b>(5,419,125)</b>	<b>14,186,326</b>	<b>11,089,201</b>	<b>9,124,880</b>	<b>46,282,753</b>	<b>75,264,035</b>
<b>Net change in fund balances</b>	<b>(12,175,329)</b>	<b>(42,037)</b>	<b>(3,138,701)</b>	<b>(31,214,237)</b>	<b>(10,361,323)</b>	<b>(56,931,627)</b>
Fund balances – beginning	65,401,244	20,979,674	(11,805,086)	(11,923,939)	83,877,131	146,529,024
Fund balances – ending	\$ 53,225,915	20,937,637	(14,943,787)	(43,138,176)	73,515,808	89,597,397

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2020

Net change in fund balances - total governmental funds (Exhibit 5) \$ (56,931,627)

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. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	180,771,702
Depreciation	(56,743,772)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the net change in deferred inflows of resources. (995,137)

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 current financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of certain issuance costs, premiums, discounts and similar items when debt is first issued, whereas certain of these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period:

Issuance of bonds	(63,172,823)
New capital leases	(6,045,068)
Bond and note maturities	47,386,797
Capital lease principal payments	3,086,606
Net deferrals and amortization of bond premiums	(844,881)

In the statement of activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable. 997,098

An internal service fund is used by management to charge the cost of self-insured health insurance to individual funds. The activity of the internal service fund is reported with governmental funds. 3,725,593

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 governmental funds. These amounts represent the net change:

Pension expense	(19,560,237)
OPEB expense	(55,418,289)
Judgments and claims	1,036,337
Compensated absences	(1,409,674)
Landfill closure and post closure care	377,000

Change in net position of governmental activities (Exhibit 2) \$ (23,740,375)

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Net Position  
Proprietary Funds  
June 30, 2020

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 20,054,072	4,109,107	110,571	24,273,750	21,635,724
Restricted cash and cash equivalents	7,784,518	7,309,650	23,849	15,118,017	-
Receivables (net)	2,074,967	14,861,986	-	16,936,953	5,600,884
Total current assets	29,913,557	26,280,743	134,420	56,328,720	27,236,608
Noncurrent assets:					
Capital assets:					
Land	7,832,488	116,500	-	7,948,988	-
Construction-in-progress	-	-	-	-	-
Buildings	46,175,721	5,376,650	958,453	52,510,824	-
Infrastructure	188,553,731	278,954,910	3,831,573	471,340,214	-
Equipment and other	3,924,248	473,225	-	4,397,473	-
Rolling equipment	3,863,810	9,886,995	-	13,750,805	-
Less accumulated depreciation	(135,575,469)	(150,071,022)	(2,014,368)	(287,660,859)	-
Capital assets, net	114,774,529	144,737,258	2,775,658	262,287,445	-
<b>Total assets</b>	144,688,086	171,018,001	2,910,078	318,616,165	27,236,608
<b>Deferred outflows of resources:</b>					
Related to pensions	2,118,475	1,290,538	57,190	3,466,203	-
Related to OPEB	6,988,182	1,317,555	78,259	8,383,996	-
Total deferred outflows of resources	9,106,657	2,608,093	135,449	11,850,199	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	3,114,243	2,258,264	110,571	5,483,078	-
Accrued liabilities	651,171	1,060,660	36,965	1,748,796	7,473,508
Retainage payable	157,799	284,140	-	441,939	-
Judgments and claims	349,602	56,707	-	406,309	-
Compensated absences	477,572	227,952	12,995	718,519	-
Temporary loans	10,940,468	15,723,949	-	26,664,417	-
Other	222,223	358,181	16,001	596,405	-
Bonds and notes payable	4,893,823	6,481,904	314,379	11,690,106	-
Total current liabilities	20,806,901	26,451,757	490,911	47,749,569	7,473,508
Noncurrent liabilities:					
Judgments and claims	727,999	1,221,665	-	1,949,664	-
Compensated absences	86,141	27,940	12,044	126,125	-
Net pension liability	17,478,707	8,677,333	478,873	26,634,913	-
Net OPEB liability	18,772,251	8,019,279	378,346	27,169,876	-
Other	1,718,135	2,765,169	101,873	4,585,177	-
Bonds and notes payable	56,197,502	102,988,429	2,242,813	161,428,744	-
Total noncurrent liabilities	94,980,735	123,699,815	3,213,949	221,894,499	-
<b>Total liabilities</b>	115,787,636	150,151,572	3,704,860	269,644,068	7,473,508
<b>Deferred inflows of resources:</b>					
Related to pensions	2,384,618	1,006,623	46,609	3,437,850	-
Related to OPEB	7,462	3,188	153	10,803	-
Total deferred inflows of resources	2,392,080	1,009,811	46,762	3,448,653	-
<b>Net position (deficit):</b>					
Net investment in capital assets	50,212,747	26,347,497	242,315	76,802,559	-
Unrestricted	(14,597,720)	(3,882,786)	(948,410)	(19,428,916)	19,763,100
<b>Total net position (deficit)</b>	\$ 35,615,027	22,464,711	(706,095)	57,373,643	19,763,100

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

For the Fiscal Year Ended June 30, 2020

	Business-type activities				Governmental activities
	Major		Nonmajor		Internal Service Fund
	Water	Sewer	Golf Course	Totals	
<b>Operating revenues:</b>					
Charges for services	\$ 27,527,015	44,944,786	-	72,471,801	-
Employer contributions	-	-	-	-	74,081,960
Employee contributions	-	-	-	-	24,918,553
Fees	-	-	1,031,336	1,031,336	-
Miscellaneous	1,388,184	680,208	21,927	2,090,319	-
<b>Total operating revenues</b>	<b>28,915,199</b>	<b>45,624,994</b>	<b>1,053,263</b>	<b>75,593,456</b>	<b>99,000,513</b>
<b>Operating expenses:</b>					
Salaries and benefits	13,504,753	7,531,606	451,138	21,487,497	-
Benefit payments	-	-	-	-	95,545,362
Ordinary maintenance	4,760,219	24,056,059	818,210	29,634,488	-
Indirect costs	2,708,681	4,106,529	36,479	6,851,689	-
Depreciation	8,627,433	11,929,715	211,486	20,768,634	-
<b>Total operating expenses</b>	<b>29,601,086</b>	<b>47,623,909</b>	<b>1,517,313</b>	<b>78,742,308</b>	<b>95,545,362</b>
<b>Operating income (loss)</b>	<b>(685,887)</b>	<b>(1,998,915)</b>	<b>(464,050)</b>	<b>(3,148,852)</b>	<b>3,455,151</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	-	-	-	-	270,442
Interest expense	(2,102,903)	(3,591,432)	(90,800)	(5,785,135)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(2,102,903)</b>	<b>(3,591,432)</b>	<b>(90,800)</b>	<b>(5,785,135)</b>	<b>270,442</b>
<b>Income (loss) before capital grants and transfers</b>	<b>(2,788,790)</b>	<b>(5,590,347)</b>	<b>(554,850)</b>	<b>(8,933,987)</b>	<b>3,725,593</b>
Capital grants and donations	200,000	398,670	-	598,670	-
Transfers in	100,002	-	594,908	694,910	-
Transfers out	(774,894)	(583,328)	(19,582)	(1,377,804)	-
<b>Change in net position</b>	<b>(3,263,682)</b>	<b>(5,775,005)</b>	<b>20,476</b>	<b>(9,018,211)</b>	<b>3,725,593</b>
Total net position – beginning	38,878,709	28,239,716	(726,571)	66,391,854	16,037,507
Total net position – ending	\$ 35,615,027	22,464,711	(706,095)	57,373,643	19,763,100

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Cash Flows

## Proprietary Funds

For the Fiscal Year Ended June 30, 2020

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 29,571,223	45,875,584	1,053,263	76,500,070	99,000,513
Payments for interfund service provided	-	-	-	-	(101,128,321)
Payments to suppliers	(5,031,710)	(29,350,271)	(872,829)	(35,254,810)	-
Payments to employees	(11,137,091)	(6,608,807)	(396,153)	(18,142,051)	-
Net cash provided (used) by operating activities	13,402,422	9,916,506	(215,719)	23,103,209	(2,127,808)
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	100,002	-	594,908	694,910	-
Transfers (out)	(774,894)	(583,328)	(19,582)	(1,377,804)	-
Net cash provided (used) by noncapital financing activities	(674,892)	(583,328)	575,326	(682,894)	-
<b>Cash flows from capital and related financing activities:</b>					
Intergovernmental subsidies and grants	200,000	829,678	-	1,029,678	-
Issuance of capital debt (long & short)	21,151,248	29,801,407	598,956	51,551,611	-
Acquisition and construction of capital assets	(11,345,752)	(13,942,910)	(93,727)	(25,382,389)	-
Principal paid on capital debt	(14,865,443)	(19,645,479)	(852,413)	(35,363,335)	-
Interest paid on capital debt	(2,632,600)	(4,333,253)	(124,905)	(7,090,758)	-
Net cash provided (used) by capital and related financing activities	(7,492,547)	(7,290,557)	(472,089)	(15,255,193)	-
<b>Cash flows from investing activities:</b>					
Investment income	-	-	-	-	270,442
Net increase (decrease) in cash and cash equivalents	5,234,983	2,042,621	(112,482)	7,165,122	(1,857,366)
Cash and cash equivalents at beginning of year (includes \$6,343,961, \$6,038,833 and \$120,503 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	22,603,607	9,376,136	246,902	32,226,645	23,493,090
Cash and cash equivalents at end of year (includes \$7,784,518, \$7,309,650 and \$23,849 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	\$ 27,838,590	11,418,757	134,420	39,391,767	21,635,724
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (685,887)	(1,998,915)	(464,050)	(3,148,852)	3,455,151
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities not requiring current expenditure of cash:					
Depreciation expense	8,627,433	11,929,715	211,486	20,768,634	-
Net deferred outflows	(3,425,339)	(280,871)	4,811	(3,701,399)	-
Net OPEB liability	7,439,666	1,362,542	89,670	8,891,878	-
Net deferred inflows	1,151,850	539,992	34,302	1,726,144	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	656,024	250,590	-	906,614	(5,600,884)
Accounts payable	1,970,690	(1,107,435)	(15,828)	847,427	(286,602)
Accrued liabilities	-	-	-	-	304,527
Judgments and claims payable	509,824	(52,147)	-	457,677	-
Compensated absences payable	59,443	44,180	399	104,022	-
Net pension liability	(2,901,282)	(771,145)	(76,509)	(3,748,936)	-
Total adjustments	14,088,309	11,915,421	248,331	26,252,061	(5,582,959)
Net cash provided (used) by operating activities	\$ 13,402,422	9,916,506	(215,719)	23,103,209	(2,127,808)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Fiduciary Net Position

June 30, 2020\*

	<b>Pension and OPEB Trust Funds</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 16,158,398	504,902
Investments, at fair value:		
Equities	12,850,660	-
Fixed income	100,909,456	-
Pooled equities	322,504,343	-
Pooled fixed income	67,100,603	-
External investment pool	317,693,109	-
Real estate	75,496,921	-
Alternative investments	143,977,107	-
<b>Total investments</b>	<b>1,040,532,199</b>	<b>-</b>
Receivables:		
Accrued interest and dividends	458,807	-
Due from Commonwealth of Massachusetts and other systems	952,362	-
Receivable for securities sold	24,777	-
<b>Total receivables</b>	<b>1,435,946</b>	<b>-</b>
<b>Total assets</b>	<b>1,058,126,543</b>	<b>504,902</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	171,798	2,210
Due to student groups	-	502,692
Due to Commonwealth of Massachusetts and other systems	3,354,875	-
Payable for securities purchased	417,909	-
Due to employer	84,339	-
<b>Total liabilities</b>	<b>4,028,921</b>	<b>504,902</b>
<b>Net position:</b>		
Net position restricted for pensions and OPEB	\$ 1,054,097,622	-

\* Except for the Pension Trust Fund (December 31, 2019)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2020\*

	<b>Pension and OPEB Trust Funds</b>
<b>Additions:</b>	
Contributions from:	
Employers	\$ 96,680,160
Plan members	20,740,274
Total contributions	<u>117,420,434</u>
Investment earnings:	
Interest and dividends	22,424,141
Net realized and unrealized gains	132,078,077
Less: management fees	<u>(6,648,756)</u>
Net investment income	<u>147,853,462</u>
Other	<u>1,599,809</u>
<b>Total additions</b>	<u>266,873,705</u>
<b>Deductions:</b>	
Benefit payments to plan members and beneficiaries	110,496,732
Reimbursements to other systems	3,515,507
Refunds and transfers of plan member accounts to other systems	2,571,361
Administrative expenses	<u>658,260</u>
<b>Total deductions</b>	<u>117,241,860</u>
<b>Net increase (decrease) in net position</b>	149,631,845
Net position restricted for pensions – beginning	<u>904,465,777</u>
Net position restricted for pensions – ending	<u><u>\$ 1,054,097,622</u></u>

\* Except for the Pension Trust Fund (for the fiscal year ended December 31, 2019)

See accompanying notes to basic financial statements.



# **CITY OF WORCESTER, MASSACHUSETTS**

## **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

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## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

#### **(1) Summary of Significant Accounting Policies**

The accompanying basic financial statements of the City of Worcester (the City) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

##### **(a) Financial Reporting Entity**

The City's basic financial statements present the City (the primary government) and its component units. The component units, discussed below, are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

##### **Primary Government**

The City operates under the Council-Manager form of government. Legislative authority is vested in an eleven-member City Council (the Council), of which six members are elected at-large and five are elected from districts, all of which are elected biennially. The School Committee, whose members are elected biennially, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2020, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2019.

##### **Fiduciary Fund Component Unit**

WRS provides services almost entirely to the City. While legally separate, WRS is presented as if it were part of the primary government.

WRS is a cost-sharing, multiple-employer defined benefit pension plan established by the City on June 12, 1944 under Chapter 32 of the Massachusetts General Laws (MGL) and is regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). WRS covers certain eligible employees of the City and the Worcester Housing Authority.

WRS is administered by a five-member Retirement Board comprised of the City Auditor, who serves as *ex-officio*; two members elected by participants in or retired from service under WRS; a fourth member appointed by the City Manager; and a fifth member appointed by the other members. WRS is accounted for as a pension trust fund and is omitted from the government-wide financial statements. Complete audited financial statements for WRS are publicly available and can be obtained from the Retirement Office, 455 Main Street, Room 103, Worcester, Massachusetts 01608.

## **CITY OF WORCESTER, MASSACHUSETTS**

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

#### **Discretely Presented Component Units**

These component units are reported in separate columns to emphasize that they are legally separate from the City but are included in the City's reporting entity because the City is financially accountable for them. The City is financially accountable for, and is able to impose its will on these organizations. The City appoints a voting majority of each organization's governing body and there is a potential for each organization either to provide specific financial benefits or to impose specific financial burdens on the City. The notes to the basic financial statements pertain to the primary government, unless otherwise indicated. A description of the discretely presented component units and their relationship with the City follows:

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.
- The **Worcester Redevelopment Authority** (WRA) was established under state law M.G.L. Ch. 121B as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities and organized under the City's home rule charter adopted by voters on November 5, 1985. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. The City may remove any member after hearing because of inefficiency, neglect of duty or misconduct of office. The WRA makes use of employees of the City to perform in-kind services during the planning, development, approval and execution processes of the City's urban renewal plans. The WRA is dependent on the City to finance the redevelopment and revitalization plans through the establishment of cooperative agreements which monies are obtained by borrowing or appropriation by the City. Complete financial statements can be obtained from the Office of Budget and Operational Analysis, Chief Financial Officer, Worcester Redevelopment Authority, 455 Main Street, Worcester, Massachusetts 01608.

#### **Joint Venture**

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth,

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

WRTA provides rapid transit and other mass transportation services to the City and 35 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2020 amounted to \$3,485, which represented approximately 68% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 60 Foster Street, Worcester, Massachusetts 01608.

#### **Related Organization**

The City Manager is responsible for appointing four out of five board members to the Worcester Housing Authority subject to confirmation by the City Council. However, the City's accountability for this organization does not extend beyond making these appointments.

#### **(b) Implementation of New Accounting Principles**

For the year ending June 30, 2020, the City implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the implementation dates of certain GASB Statements.

#### **(c) Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its discretely presented component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely for the most part on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities presents both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with a specific function and program revenues must be directly associated with that function. Program revenues include charges to customers or applicants who purchase goods, services, or privileges as well as grants and contributions that are restricted to meeting operational or capital requirements of the function. Other revenue sources, such as taxes and investment earnings not properly included among program revenues, are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

#### **(d) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements and the proprietary, fiduciary, and component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Except for the agency fund (a fiduciary fund), revenues are recorded when earned and expenses are recognized when incurred. Agency funds do not present the results of operations or have a measurement focus. 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 have been met.

Employer contributions to the pension trust fund are recognized as revenue and recorded as a receivable when appropriated by the participating employers. Member and other contributions are recognized when due. Benefits and refunds to plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the plan.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred inflows of resources.

The City also reports proprietary funds. The focus in proprietary funds is upon determination of operating income, changes in net position, financial position, and cash flows. The City's discretely presented component units, along with the water, sewer and golf course (nonmajor) enterprises, fit into this category. The accounting principles used are similar to those used for private sector businesses.

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

Property taxes and motor vehicle excise taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) claims and judgments (including self-insurance), compensated absences and landfill closure and post closure care costs, all of which are recorded as

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include CitySquare District Improvement Financing (DIF), North High School debt service, DCU DIF fund, construction of two new future high schools and other debt service.
- **Rehabilitation of Public Buildings** – The rehabilitation of public buildings fund accounts for improvements to City owned buildings.
- **School Construction** – Accounts for the construction and rehabilitation of school buildings.

The nonmajor governmental funds consist of other 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:

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

**Capital projects funds** are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Permanent funds** are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

The City reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to city users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the city.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

Additionally, the City reports the following fund types:

- **Pension and OPEB Trust Funds** – The funds are used to account for the activities of the pension and OPEB trust funds which accumulate resources for pension and other postemployment benefit payments to qualified employees.
- **Agency Fund** – The agency fund is used to account for student activity funds.

The City also uses an internal service fund to account for self-insured health costs. Although the fund is presented in a separate column in the accompanying financial statements, it is not considered a major fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the water, sewer, and golf course (nonmajor) functions and other functions. These charges are reflected as charges to the proprietary funds and expense credits to the servicing functions.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues are those that cannot be associated directly with program activities.

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

#### *(e) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance*

##### **Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents consist of highly liquid financial instruments with original maturities of three months or less.

##### **Basis of Investment Valuation**

Investments are stated at fair value, which are based on quotations from a national securities exchange except for alternative investments and real estate funds, for which fair value is determined through estimates by fund managers.

The City's alternative investments are recorded at fair value as determined in good faith by the general partners of the alternative investment firms. The City's investments in real estate funds are recorded at fair value, based on independent third party appraisals as reported by the investment

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

managers of the funds. As there is no readily available market for these investments, estimated values may differ significantly from the values that may be realized upon liquidation.

#### **Basis of Investment Transactions**

Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as payables for securities purchased and as receivables for securities sold.

#### **Property Taxes**

Real and personal property taxes are based on values levied (assessed) and lienied as of each January 1 in accordance with Massachusetts General Laws. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Once levied, these taxes are recorded as receivables, net of estimated uncollectibles. In the governmental funds financial statements property tax revenues have been recorded using the modified accrual basis of accounting, which is described in note 1(d). The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated uncollectibles.

The City bills and collects its property taxes on a quarterly basis. Taxes must be billed at least 30 days prior to their due date. The scheduled due dates for quarterly tax billings are August 1, November 1, February 1 and May 1. Overdue property taxes are subject to interest and penalties. The City has an ultimate right to foreclose on properties for which taxes have not been paid.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the City. A secondary limitation is that no levy in any fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a City-wide referendum vote.

#### **Inventory**

The cost of supplies and other inventorable items for governmental funds are recorded as an expenditure at the time of purchase (purchase method). The cost of supplies and other inventorable items for enterprise funds are valued using the first-in/first-out (FIFO) method. No significant inventory balances were on hand at June 30, 2020, and therefore are not reported.

#### **Capital Assets**

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost



## **CITY OF WORCESTER, MASSACHUSETTS**

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includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2020. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 20 to 40 years for facilities and 20 to 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

#### **Compensated Absences**

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation, or policy. The cost of compensated absences for employees is recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (i.e., come due for payment). To the extent it is probable that unused sick days will result in termination payments, a liability based on established payment rates and the City's past experience in making such termination payments, adjusted for other current factors and expectations, has been recorded.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet 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 primary government has two items that qualify for reporting in this category. Deferred outflows related to pensions and OPEB are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68.

In addition to liabilities, the statement of net position and/or balance sheet 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 primary government has three types of items that qualify for reporting in this category. Deferred inflows related to pensions and OPEB are reported in the government-wide and proprietary funds

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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financial statements in accordance with GASB Statement No. 68 and 75, respectively. The primary government also has deferred inflows which arise under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Net Position and Fund Balances**

Net position is reported as restricted when amounts are specified by outside parties for a specific future use. The City reports the following net position restrictions:

“Nonexpendable permanent funds” represents amounts held in trust for which only investment earnings may be expended. Separate restrictions are reported for funds related to libraries, the Hope Cemetery, health and human services and other.

“Expendable permanent funds” represents amounts held in trust whereby expenditures are subject to various trust agreements. Separate restrictions are reported for funds related to libraries, the Hope Cemetery, health and human services and other.

“State and federal grants” represents restrictions placed on assets from state and federal granting agencies.

Net position restrictions are also reported for non-federal and non-state grants related to culture and recreation, general government, health and human services, library, public safety, public works and education.

The following fund balance classifications describe the relative strength of the spending constraints:

“Nonspendable” — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

“Restricted” — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

“Committed” — represents amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority as allowed under Massachusetts state law such as for the creation of a debt service stabilization fund to defease certain debt or funds reserving the receipts of ongoing activities for later appropriation such as parking and sewer connection fees. The governing City Council is the highest level of decision-making authority for the City. The formal action that can be taken by the City Council to commit fund balance is to vote to adopt what is called an “Order”. An Order voted and adopted by the City Council prior to the end of the fiscal year is the formal action that can commit fund balance. Once adopted, the limitation

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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imposed by the order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation.

“Assigned” — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. The governing City Council has the authority to assign fund balance (by adoption of an order) as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

“Unassigned” – represents the residual classification for the General Fund and the negative residual fund balance of any other governmental fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed and unassigned.

The City adopted a general fund balance policy in November 2006 and updated it in 2017. It is the City’s policy to maintain unassigned general fund balance on a budgetary basis of accounting equal to 10-percent of general fund revenues.

#### **Landfill Closure and Post Closure Care Costs**

State and federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and post closure care for all MSWLFs based on landfill capacity used to date. At June 30, 2020, 100% of the City’s expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and post closure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2020 were \$377.

#### **Judgments and Claims**

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers’ compensation. In the governmental funds financial statements, expenditures for judgments and claims (other than workers’ compensation and condemnation proceedings) are recorded on the basis of whether the liability has matured in the current period. Expenditures for

## **CITY OF WORCESTER, MASSACHUSETTS**

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workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the proprietary and government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

#### **Long-Term Liabilities**

For long-term liabilities, only that portion, which is matured, is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide statement of net position and proprietary funds statement of net position. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

#### **Investment Income**

Except for the permanent funds, investment income derived from governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law. Except for investment income of the internal service fund, investment income from proprietary funds is voluntarily assigned to the general fund. Investment income from fiduciary funds is retained by the funds.

#### **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **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.

## **(2) Property Taxes**

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount, which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the City, including available surplus funds.

#### **(3) Stewardship, Compliance and Accountability**

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for all general fund functions as well as for those enterprise funds for which the provisions of Chapter 44, Section 53F 1/2 have been adopted.

All portions of the annual budget, except for that of public schools, are prepared under the direction of the City Manager. The School Department budget is prepared under the direction of the Superintendent. The budget must be approved by the City Council, which may reduce or reject any item in the budget but may not increase or add items without the recommendation of the City Manager. The level of expenditure may not legally exceed appropriations for each department or undertaking in the categories of salaries and wages, ordinary maintenance and capital outlays.

Once adopted, budgets within the above categories may not be amended by management without seeking City Council approval.

In fiscal 2020, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$6,675. In fiscal 2020, expenditures were less than budgetary estimates for intergovernmental expenditures by \$280.

#### **(4) Deposits, Investments, and Securities Lending**

The Massachusetts General Laws (MGL) place limitations on the nature of deposits and investments that is available to the City. Deposits in any one financial institution may not exceed certain prescribed levels without collateralization or insurance protection by the financial institution involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of less than one year from the date of purchase, or in repurchase agreements having maturities of 90 days or less, which are collateralized by such securities. The City also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The City's pension trust fund and certain other trust funds have expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments. The composition of the City's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid, and capital outlays.

##### ***(a) Deposits and Investments of the City (excluding component units)***

###### **Deposits - Custodial Credit Risk (City)**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and augment the coverage with banks that

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

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participate in private insurance such as the Depository Insurer's Fund, and to collateralize certain bank accounts. As of June 30, 2020, \$225,332 of the City's bank balance of \$339,914 was insured and collateralized with securities held by pledging financial institutions, and \$114,582 was uninsured and uncollateralized.

#### Investments Summary (City)

The City's investments at June 30, 2020, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
Money market mutual funds.....	\$ 162	162	-	-	-
Fixed income securities.....	6,840	6,840	-	-	-
External investment pools.....	135,491	135,491	-	-	-
Total debt securities.....	142,493	\$ 142,493	-	-	-
<u>Other investments:</u>					
Equity mutual funds.....	14,755				
Total investments.....	\$ 157,248				

#### Investments - Interest Rate Risk of Debt Securities (City)

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. Except for certain trust funds, the City does not have a policy for interest rate risk of debt securities since MGL limit the City's investments to U.S. backed securities that mature no more than one year from the initial investment date. Policies regarding interest rate risk for certain trust fund investments are identified in the individual trust agreements.

#### Investments - Custodial Credit Risk (City)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2020, none of the City's investments were exposed to custodial credit risk.

# CITY OF WORCESTER, MASSACHUSETTS

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### Investments - Credit Risk of Debt Securities (City)

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Certain trust funds can invest in securities that are rated below AAA. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2020, the City's investment in debt securities did not have credit quality ratings with a national credit rating organization.

### Investments – Fair Value Measurements (City)

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2020:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Fair Value			
<u>Debt Securities:</u>				
Fixed income securities.....	\$ 6,840	6,840	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	14,755	14,755	-	-
Total investments by fair value level.....	21,595	\$ 21,595	-	-
Total investments measured at fair value.....	\$ 21,595			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

### ***(b) Deposits and Investments of the Worcester Retirement System (WRS)***

Deposits and investments made by the WRS are governed by the MGL Chapter 32. The WRS has the ability to invest in equity securities, corporate bonds, annuities and other specified investments in accordance with state laws and regulations.

# CITY OF WORCESTER, MASSACHUSETTS

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### Deposits - Custodial Credit Risk (WRS)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2019, the WRS's bank balance of \$795 was not exposed to custodial credit risk.

### Investments Summary (WRS)

The WRS's investments at December 31, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 48,904	\$ 287	21,753	19,571	7,293
U.S. Agencies.....	20,278	532	187	340	19,219
Corporate bonds.....	22,196	768	9,163	4,735	7,530
Money market mutual funds.....	5,138	5,138	-	-	-
External investment pool.....	317,693	317,693	-	-	-
Fixed income mutual funds.....	57,326	57,326	-	-	-
Mortgage backed securities.....	6,006	-	-	198	5,808
Asset backed securities.....	3,525	-	2,697	281	547
Total debt securities.....	481,066	\$ 381,744	33,800	25,125	40,397
<u>Other investments:</u>					
Equity securities.....	12,851				
Equity mutual funds.....	322,504				
Real estate investments.....	75,497				
Alternative investments.....	143,977				
Total other investments.....	554,829				
Total investments.....	\$ 1,035,895				

### Investments - Interest Rate Risk of Debt Securities (WRS)

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The WRS's policies for interest rate risk intend that the average duration of investments remain fairly stable over time and be focused in the intermediate range. The WRS's debt security managers are not permitted to make large-scale changes in portfolio duration in an attempt to anticipate interest rate changes. However, they are permitted to shift portfolio duration within a limited range (defined by their guidelines) in an effort to enhance performance.



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## Notes to the Basic Financial Statements

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### Investments - Custodial Credit Risk (WRS)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2019, the WRS was not exposed to custodial credit risk.

### Investments - Credit Risk of Debt Securities (WRS)

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS does not have a policy for credit risk of debt securities. As of December 31, 2019, the credit quality ratings of the WRS's debt securities are as follows:

Quality Ratings *	Investment Type							Total Amount
	U.S. Agencies	Corporate Bonds	Money Market Mutual Funds	Fixed Income Mutual Funds	External Investment Pool	Mortgage Backed Securities	Asset Backed Securities	
AAA.....	\$ -	842	-	-	-	2,020	2,313	5,175
AA+.....	390	268	-	-	-	-	-	658
AA.....	719	1,787	-	-	-	-	-	2,506
AA-.....	-	820	-	-	-	-	-	820
A+.....	-	838	-	-	-	-	-	838
A.....	-	2,046	-	-	-	-	-	2,046
A-.....	-	3,511	-	-	-	-	-	3,511
BB+.....	-	208	-	-	-	-	-	208
BBB+.....	-	4,326	-	-	-	-	337	4,663
BBB.....	-	5,880	-	-	-	-	210	6,090
BBB-.....	-	893	-	-	-	-	-	893
Unrated.....	19,169	777	5,138	57,326	317,693	3,986	664	404,753
Total.....	\$ 20,278	22,196	5,138	57,326	317,693	6,006	3,524	432,161

\* Per the rating scale of Standard & Poor's, a national credit rating organization

### Deposits and Investments – Foreign Currency Risk (WRS)

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2019, the WRS had no exposure to foreign currency risk.

### Investments – Concentration of Credit Risk (WRS)

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS's investment in a single issuer. The WRS's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or

# CITY OF WORCESTER, MASSACHUSETTS

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its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2019, the WRS was not exposed to concentration of credit risk.

### Investments – Fair Value Measurements (WRS)

WRS categorizes its fair value measurements within fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. WRS has the following recurring fair value measurements as of December 31, 2019:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level		Fair Value		
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$	48,904	\$	48,904
U.S. Agencies.....		20,278		20,278
Corporate bonds.....		22,196		22,196
Fixed income mutual funds.....		57,326		57,326
Mortgage backed securities.....		6,006		6,006
Asset backed securities.....		3,525		3,525
Total debt securities.....		158,235		158,235
<u>Equity Securities:</u>				
Equity securities.....		12,851		12,851
Equity mutual funds.....		225,958		225,958
Total equity securities.....		238,809		238,809
Total investments by fair value level.....		397,044	\$	397,044
<u>Investments measured at the net asset value (NAV)</u>				
Private equities.....		119,985		119,985
Real estate.....		75,497		75,497
Investments measured at the net asset value (NAV)		195,482		195,482
<u>Other investments measured at fair value</u>				
External investment pool (PRIT).....		317,693		317,693
Pooled international equities fund (PRIT).....		96,546		96,546
Other pooled funds (PRIT).....		23,992		23,992
Other investments measured at fair value		438,231		438,231
Total investments measured at fair value.....	\$	1,030,757		1,030,757

Debt and equity securities in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities (1).....	\$ 119,985	33,760	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Real estate (2).....	75,497	1,333	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Total investments measured at NAV.....	<u>\$ 195,482</u>			

(1) *Private equities* - This investment type includes investments in 30 private equity funds that invest primarily in private domestic and international companies of diversified industries. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 36 percent of these investments can be redeemed quarterly with 90 days' notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. For approximately 5.4 percent of the investments it is expected that the underlying assets of the funds will be liquidated over the next 1 to 5 years. For the remaining investments, it is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

(2) *Real estate* - This investment type includes investments in 9 funds that invest primarily in real estate and North American timberlands. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 94 percent of these investments can be redeemed on the first business day of the month following one day's notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 6 years.

### ***(c) Deposits and Investments of the Upper Blackstone Water Pollution Abatement District (The District)***

#### **Deposits – Custodial Credit Risk (The District)**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage at each financial institution and collateralization of the balance by depository institution's investments.

#### **Short Term Investment (The District)**

The District invests in units in the Massachusetts Municipal Depository Trust (MMDT). At June 30, 2020, the District's deposits with MMDT totaled \$1,116. The MMDT was established to provide a short-term external investment pool entirely separate from other financial activities of the Commonwealth of Massachusetts. The investment pool measures its investments at amortized cost and there are no restrictions on withdrawals. The State Treasurer serves as the Trustee, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to

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creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. The MMDT is not rated by any independent fund rating institution and the weighted average maturity of its investments in its Cash Portfolio is less than one year. For a complete copy of MMDT's separately issued financial statements, the Cash Management Department of the State Treasurer's Office should be contracted.

### Investments – Fair Value Measurements (The District)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Agency Obligations	\$ 6,159	\$ 3,870	2,289	-
Total Debt Securities	6,159	3,870	2,289	-
Equity securities	6,867	6,867	-	-
Mutual funds	462	-	462	-
Total investments by fair value	13,488	\$ 10,737	2,751	-
Investments measured at amortized cost:				
MMDT	1,116			
Total Investments	\$ 14,604			

None of the District's investments had their fair values measured using level 3 inputs.

### Investments - Custodial Credit Risk (The District)

In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the District may not be able to

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

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recover the full amount of its principal investment and/or investment earnings. All of the District's investments are registered in its name and cannot be pledged or assigned. As a result, the District is not exposed to custodial credit risk on its investments.

### Investments - Interest Rate Risk of Debt Securities (The District)

This is the risk that changes in interest rates will adversely affect the market value of an investment. The District manages interest rate risk by managing the duration of its investments in debt securities.

### Investments – Concentration of Credit Risk (The District)

The District's investment policy is to diversify its investment portfolio so no single investment (excluding investments in U.S. Treasury Notes) exceeds 5% of the District's total investments. At June 30, 2020, approximately 27% of the District's total investments were in the form of U.S. Treasury notes. No other individual investment security exceeded 5% of the District's total investments at June 30, 2020.

### Investment Maturities (The District)

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government obligation and notes	\$ 6,159	<u>1,223</u>	<u>4,826</u>	<u>110</u>
Other investments:				
Equity securities	6,867			
Mutual funds	462			
MMDT	<u>1,116</u>			
Total investments	\$ <u>14,604</u>			

### Investments - Credit Risk of Debt Securities (The District)

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy restricts investments in debt securities to Aaa-rated obligations or issues backed by the full faith and credit of the U.S. Treasury. At June 30, 2020, all of the District's investments in U.S. Treasury notes and other U.S. government agency notes were rated Aaa by Moody's Investor Services.

### **(d) Deposits of the WRA**

State and local statutes place certain limitations on the nature of deposits and investments available to the WRA.

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#### Deposits - Custodial Credit Risk (WRA)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRA's deposits may not be recovered. The WRA does not have a policy for custodial credit risk of deposits. As of June 30, 2020, none of the WRA's bank balance of \$6,333 was uninsured and uncollateralized.

#### **(5) City of Worcester Contributory Retirement System (WRS or the Plan)**

##### ***(a) Plan Description, Basis of Accounting, Valuation of Investments and Membership (WRS)***

The City provides pension benefits to certain employees administered by the WRS, a cost-sharing, multiple-employer public employee retirement system regulated by PERAC. WRS is a defined benefit pension plan that covers eligible employees of the City (which includes the Worcester Redevelopment Authority) and the Worcester Housing Authority.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent working at least 30 hours weekly (20 hours weekly if hired prior to August 23, 2017), except for (1) employees eligible to participate in the Massachusetts Teachers' Retirement System (as discussed in note 6); and (2) employees of the District, who are covered by the state Retirement System. Disclosures applicable to the District's retirement plan are located in Note 7.

WRS issues a separate publicly available stand-alone financial report available at <http://www.worcesterma.gov/e-services/document-center/retirement>, or a copy may be obtained by submitting a request to the System at Worcester City Hall Room 103, 455 Main Street, Worcester, Massachusetts 01608. The WRS' fiduciary net position has been determined on the same basis used by the WRS. The WRS' financial statements are presented on the accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Membership in WRS was as follows at December 31, 2019:

Active employees	3,506
Pensioners and beneficiaries	2,738
Inactive employees not entitled to or not receiving benefits	833
Inactive employees entitled to or receiving benefits	<u>116</u>
Total members	<u>7,193</u>
Number of participating employers	<u>2</u>

WRS is governed by a five member board comprised of the City Auditor (ex-officio), an appointee of the City Manager, two members elected by the active and inactive retired members of WRS, and one member appointed by the other four members. The WRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for the plan. That report may be obtained at the retirement office at City Hall.

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#### **(b) Benefits Provided (WRS)**

Benefit provisions and contribution requirements of WRS are established by state law. Members of WRS become vested after 10 years of creditable service. Normal retirement occurs at age 65 (age 67 if hired on or after April 2, 2012), except for special situations and the City's police officers and firefighters, whose normal retirement age is 55 (age 57 if hired on or after April 2, 2012).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's highest possible average of annual regular compensation in any three consecutive years of creditable service or rates earned during the period or periods, whether or not consecutive, which constitute the last three years of creditable service preceding retirement multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's highest possible average of annual regular compensation in any five consecutive years of creditable service or rates earned during the period or periods, whether or not consecutive, which constitute the last five years of creditable service preceding retirement multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%.

Employees hired prior to April 2, 2012 may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Employees hired on or after April 2, 2012 may elect early retirement after attaining age 60 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

Under MGL c.32 Section 3(8)(c), members leaving the City's employment to work for other Massachusetts governmental units requires the WRS transfer their accumulated account balances and creditable service to the retirement system of their new employer. Other such retirement systems are in turn required to make comparable transfers to the WRS for employees coming to work at the City or the Worcester Housing Authority. Per statute, the PERAC actuary shall consider length of service as well as acceptance of military service credit and salary cap provisions if applicable in calculating the liability.

Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

## CITY OF WORCESTER, MASSACHUSETTS

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**(c) Contributions (WRS)**

Chapter 32 of MGL governs and establishes the contribution requirements of plan members and the City and such requirements may only be amended by state law. Participation in the plan requires that members contribute a fixed percentage of their gross regular compensation (either 5%, 7%, 8% or 9%) each pay period. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employees hired after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into WRS its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$860 for the fiscal year ended June 30, 2020 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2019, active member contributions totaled \$20,740 and employer contributions totaled \$52,206. Contributions to WRS from the City were \$48,180 for the year ended June 30, 2020.

**(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (WRS)**

The components of the net pension liability of the WRS at December 31, 2019, were as follows:

Total pension liability	\$	1,554,774
Plan fiduciary net position		<u>(1,033,592)</u>
Net pension liability	\$	<u>521,182</u>
Plan fiduciary net position as a percentage of the total pension liability		66.48%

At June 30, 2020, the City reported a liability of \$480,990 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. The City's proportion of the net pension liability is the proportionate share of employer contributions to WRS for the year ended December 31, 2019, actuarially determined. At December 31, 2019, the City's proportion was 92.29 percent, which was 0.33 percentage points lower than the proportion measured as of December 31, 2018.



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For the year ended June 30, 2020, the City recognized pension expense of \$68,708. At June 30, 2020, the City reported deferred outflows (inflows) of resources of \$6,191 related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Deferred outflows (inflows) of resources related to pensions		
Changes of assumptions	\$ 47,977	-
Net difference between projected and actual earnings on WRS investments	-	36,658
Change in proportion and differences between employer contributions and proportionate share of contributions	3,645	3,407
Differences between expected and actual experience	1,321	6,687
Total	<u>\$ 52,943</u>	<u>46,752</u>

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2020 that will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 1,900
2022	(101)
2023	11,128
2024	(6,704)
2025	(16)
2026	(16)
	<u>\$ 6,191</u>

### (e) *Actuarial Assumptions and Methods (WRS)*

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level payments on the 2010 ERI liability; total appropriation increases 6.33% per year through 2033 with the annual contribution increasing 10.29% in 2034.
Remaining amortized period (period is closed)	1 year for the 2010 ERI liability 14 years for the remaining unfunded liability 14 years is the equivalent single amortization period (ESAP)

## CITY OF WORCESTER, MASSACHUSETTS

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Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the market value.
Discount rate/investment rate of return	6.9%, net of pension plan investment expense, including inflation
Projected salary increases	4.0% per year
Rate of inflation	3.0% per year
Cost of living adjustments	3.0% of the first \$13 of retirement income
Mortality rates:	Pre-Retirement is based on RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. Healthy retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Disabled retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2019. There were no changes of assumptions that affected measurement of the total pension liability since the prior measurement date.

#### **(f) Investment Policies and Rates of Return (WRS)**

Deposits and investments made by the WRS are governed by Chapter 32 of the MGL. The WRS Board is responsible for the adoption of a formal asset allocation policy, the selection of professional investment managers to execute the investment policies, and the appointment of an investment consultant to assist with the evaluation of investment manager performance. All investment activities of the WRS Board are subject to oversight by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC).

The WRS's Board has the authority for establishing and amending investment policy decisions by majority vote. Asset allocation policies allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the WRS's investment objectives. The WRS's Board has specifically indicated those asset classes that may be utilized when investing the WRS's assets. The WRS's Board specifies a long-term target allocation for each class of permissible assets expressed as a percentage of the WRS's overall market value, surrounded by a band of permissible variation resulting from market forces. On at least an annual

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basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. Permanent changes in the WRS's target asset allocation will take place only in response to significant changes in the objectives and constraints of the WRS, or in response to material changes in the fundamental nature or appropriateness of the asset classes themselves. The following was the asset allocation policy as of December 31, 2019:

Asset Class	Target Allocation (%)	Range %
Domestic equity	14.0	9-19
International developed markets equity	8.0	4-12
International emerging markets equity	8.0	4-12
Core fixed income	10.0	5-15
Value-add fixed income	4.0	2-6
Real estate	6.0	4-8
Private equity	7.0	4-10
PRIT general allocation (CORE) fund	35.0	0-50
Natural resources and timber	3.0	1-5
Infrastructure	5.0	2-8
Cash	0.0	<5
	<u>100.0</u>	

For the year ended December 31, 2019, the annual money-weighted rate of return on WRS investments, net of investment expense, was 16.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return (%)
Domestic equity	6.15
International developed markets equity	6.78
International emerging markets equity	8.65
Core fixed income	1.11
High-yield fixed income	3.51
Real estate	4.33
Commodities	4.13
Hedge fund, global tactical asset allocation, risk parity	3.19
Private equity	9.99

### (g) *Discount Rate (WRS)*

The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that WRS's contributions will be made at rates equal to the actuarially determined contribution rates. 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.

### (h) *Sensitivity of the Net Pension Liability to Changes in the Discount Rate (WRS)*

The following presents the net pension liability of WRS calculated using the discount rate of 6.9 percent, as well as what WRS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
System's net pension liability	\$ 699,879	\$ 521,182	\$ 370,743

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

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	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
City's share of net pension liability	\$ 645,905	\$ 480,990	\$ 342,152

**(i) Legally Required Reserve Accounts (WRS)**

The balance in WRS's legally required reserves as of December 31, 2019 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 207,515	Active members' contribution balance
Annuity Reserve Fund	63,938	Retired members' contribution account
Military Service Fund	212	Members' contribution account while on military leave
Pension Reserve Fund	758,400	Amounts appropriated to fund future retirement benefits
Pension Fund	3,527	Remaining net position
Total	\$ 1,033,592	

All reserve accounts are funded at levels required by state law.

**(6) Massachusetts Teachers' Retirement System (MTRS)**

**(a) Plan Description and Benefits (MTRS)**

Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided - MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature. Members become vested after ten years of creditable service. A superannuation retirement allowance may be

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received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

**(b) Contributions (MTRS)**

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. 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 contributing entity in MTRS.

**(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (MTRS)**

Since the City does not contribute directly to MTRS, the City does not report a proportionate share of the net pension liability of the MTRS at June 30, 2020. The Commonwealth's net pension liability associated with the City was \$663,623.

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the City recognized pension expense of \$80,476 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

**(d) Actuarial assumptions (MTRS)**

The MTRS' total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

Investment rate of return	7.25%
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Salary increases	Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
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Mortality rates:	Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
	Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
	Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
Other	3.5% interest rate credited to the annuity savings fund
	3.0% cost of living increase per year on the first \$13,000 per year.

**(e) Investment Policies and Rates of Return (MTRS)**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.9
Core fixed income	15.0	1.3
Private equity	13.0	8.2
Portfolio completion strategies	11.0	3.9
Real estate	10.0	3.6
Value Added Fixed Income	8.0	4.7
Timber/Natural Resources	4.0	4.1
	<u>100.0</u>	

**(f) Discount rate (MTRS)**

The discount rate used to measure the MTRS' total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates

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### Notes to the Basic Financial Statements

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equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

**(g) Pension plan fiduciary net position (MTRS)**

Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**(7) Pension Plan (The District)**

**(a) Plan Description (The District)**

The District contributes to the Massachusetts State Employees' Retirement System (MSERS), a cost-sharing, multiple-employer defined benefit pension plan. MSERS was established under Chapter 32 of Massachusetts General Law ("MGL"). MSERS is administered by the Massachusetts State Retirement Board, which consists of five members. MSERS is a component unit of the Commonwealth and does not issue stand-alone audited financial statements.

**(b) Benefits (The District)**

Membership in MSERS is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of MSERS do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, MSERS provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, MSERS provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The most common benefits paid by MSERS include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of creditable service. Benefits commencing before age



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65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

#### **(c) Contributions (The District)**

MSERS is required to be fully funded by June 30, 2040 under current MGL. Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired on or after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30.

The District contributed \$457 to MSERS in fiscal year 2020. The District's contributions as a percentage of covered payroll was approximately 11.4%.

#### **(d) Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (The District)**

At June 30, 2020, the District reported a liability of \$9,534 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019, which is the measurement date used in these basic financial statements. There were no material changes to MSERS benefit terms since the actuarial valuation.

The District's proportion of the net pension liability is based on a projection of the District's long-term share of contributions to MSERS relative to the projected contributions of all employers. The District's proportion was approximately 0.065% at June 30, 2019 versus 0.063% at June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,544. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 317	124
Changes in assumptions	707	-
Net difference between projected and actual earnings on plan investments	-	142
Changes in proportionate share of contributions	309	163
District contributions subsequent to the measurement date	457	-
Total	<u>\$ 1,790</u>	<u>429</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized as a benefit in the District's pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 921
2022	19
2023	188
2024	211
2025	22
	<u>\$ 1,361</u>

### (e) *Actuarial Assumptions (The District)*

The measurement of MSERS total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2019. The significant actuarial assumptions used in the actuarial valuation included:

- 7.25% investment rate of return (formerly 7.35%);
- 3.50% interest rate credited to the annuity savings fund;
- 3.00% cost of living increase on the first \$13,000 of benefits each year;
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending of group and length of service;
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward one year for females;
  - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward one year for females; and
  - Disability – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward one year.

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Experience studies dated February 27, 2014 encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for postretirement mortality.

**(f) Long-Term Expected Rate of Return (The District)**

MSERS' investments are entirely invested with the Commonwealth's Pension Reserve Investment Management Board. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the Retirement System's target allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.9
Core fixed income	15.0	1.3
Private equity	13.0	8.2
Portfolio completion strategies	11.0	3.9
Real estate	10.0	3.6
Value Added Fixed Income	8.0	4.7
Timber/Natural Resources	4.0	4.1
	<u>100.0</u>	

**(g) 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 were made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rates. Based on those assumptions, MSERS' 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.

**(h) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as the District's proportionate share of the net pension liability using a discount rate that is 1% lower and higher than the current rate:

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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 12,451	\$ 9,534	\$ 6,709

### (8) Other Postemployment Benefits - OPEB (City)

#### (a) Plan Description - City

In addition to the pension benefits described in notes 5 and 6, the City provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries through a single-employer defined benefit plan (hereinafter referred to as the "Plan") in accordance with MGL Chapter 32B. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state law, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans, while the City partially self-funds the claims for the remaining plans. The Plan does not issue a standalone financial report since there are no assets in a trust legally segregated for the sole purpose of paying benefits under the Plan.

The number of employees covered by the benefit terms as of June 30, 2020, the latest actuarial valuation, is as follows:

Inactive employees currently receiving benefit payments	4,281
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	5,867
Total	<u>10,148</u>

#### (b) Funding Policy - City

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes 50% towards a \$5 term life insurance premium with coverage through age seventy-five. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

#### (c) Methods and Assumptions - City

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The projection of benefits does not explicitly incorporate the potential

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effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the total OPEB liability of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of changes to the total OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the total OPEB liability and related ratios are increasing or decreasing over time.

The significant methods and assumptions used to measure the total OPEB liability as of the latest actuarial valuation are as follows:

Measurement date:	June 30, 2020
Valuation date:	June 30, 2020
Actuarial cost method:	Entry Age Normal
Discount rate:	2.45%
Prior year discount rate	3.13%
Inflation rate:	2.50%
Salary scale:	3.00%
Healthcare/Medical cost trend rate:	6.0% increase for the next year and then decreasing to 4.0% after fifty-five years.
Stop loss trend	8.0% increase for the next year and then decreasing to 6.0% after fifty-five years.
Pre-Retirement Mortality:	RPH-2010 health retiree mortality table, generational with projection scale MP-2019.
Post-Retirement Mortality:	RPH-2010 health retiree mortality table, generational with projection scale MP-2019.
Post-Disability Mortality:	RPH-2010 health retiree mortality table, generational with projection scale MP-2019.

**Discount rate (City)** –The discount rate used to measure the total OPEB liability was 2.45 percent and equal to the expected yield or index rate for 20-year, tax-exempt obligation municipal bonds with an average rating of AA/Aa or higher determined as of the measurement date or June 30, 2020.

**(d) Net OPEB Liability (City)**

The City's net OPEB liability of \$1,026,328 was measured as of June 30, 2020 for the year ended June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

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The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 918,642	\$ -	\$ 918,642
Changes for the year:			
Service cost	38,504	-	38,504
Interest	29,573	-	29,573
Differences between expected and actual experience	78,079	-	78,079
Changes in assumptions/inputs	6,683	-	6,683
Employer contributions	-	19,827	(19,827)
Contributions for benefits due	-	24,647	(24,647)
Net investment income	-	679	(679)
Benefit payments	(24,647)	(24,647)	-
Net changes	<u>128,192</u>	<u>20,506</u>	<u>107,686</u>
Balances at June 30, 2020	<u>\$ 1,046,834</u>	<u>\$ 20,506</u>	<u>\$ 1,026,328</u>

**(e) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (City)**

The following presents the Net OPEB Liability calculated using the discount rate of 2.45%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate		
	1% decrease 1.45%	No change 2.45%	1% increase 3.45%
Net OPEB liability	\$ 1,249,720	1,026,328	853,751

**(f) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (City)**

The following presents the Net OPEB Liability calculated using the healthcare cost trend rate of 6.0% for the next year and then decreasing for the next 55 years until an ultimate rate of 4.0% as well as what the Net OPEB Liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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		Healthcare Trend		
		<u>1% decrease</u>	<u>No change</u>	<u>1% increase</u>
Net OPEB liability	\$	833,579	1,026,328	1,285,858

**(g) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (City)**

For the year ended June 30, 2020, the City recognized OPEB expense of \$102,092.

OPEB Expense		
Service cost	\$	38,504
Interest on the Total OPEB Liability (TOL)		29,573
Projected earnings on plan investments		(169)
Expensed portion of current-period differences between expected & actual experience in the TOL		17,240
Expensed portion of current-period differences between actual & projected earnings on plan investments		(102)
Expensed portion of changes of assumptions or other inputs		<u>17,046</u>
Total OPEB expense	\$	<u><u>102,092</u></u>

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 71,824	\$ -
Changes in assumptions or other inputs	45,105	-
Difference between expected and actual earnings on OPEB plan investments	-	408
Total	<u><u>\$ 116,929</u></u>	<u><u>\$ 408</u></u>

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The amounts reported as deferred outflows and inflows related to OPEB will be recognized in OPEB expense as follows:

For the year ended June 30:

2021	\$	34,184
2022		34,184
2023		24,732
2024		15,208
2025		8,213
	\$	<u>116,521</u>

**(9) Other Postemployment Benefits – OPEB (The District)**

**(a) Plan Description – The District**

The District provides health and life insurance benefits to retired employees and their survivors through the Commonwealth's Group Insurance Commission (GIC), a cost-sharing multiple employer plan (hereinafter referred to as the "Plan"). Specific benefit provisions and contribution rates are established by collective bargaining agreements and state law. The Plan does not issue a standalone financial report.

The number of participants as of June 30, 2020, the latest actuarial valuation, is as follows:

Retired employees and survivors	32
Active employees	<u>59</u>
Total	<u>91</u>

**(b) Funding Policy – The District**

The contribution requirements of Plan members and the District are established and may be amended by the GIC. Retirees, depending on retirement date, pay 10%, 15%, or 20% of the cost. The costs of administering the Plan are paid by the District.

**(c) Investment Policy – The District**

The assets of the Trust will be invested in a manner consistent with prudent investor standards, set forth on M.G.L. c203C Sec 2. The assets of the Trust will be managed by a professional investment manager approved by the Board of Directors. A diversified investment portfolio will be constructed that is both prudent and appropriate given the District's actuarial assumed discount rate, target rate of return, investment objective, and risk tolerance. The following is the intended asset allocation:



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Category	Target or Range
Domestic common stocks	30% to 70%
Domestic bonds	30% to 70%
Mutual funds	0% to 30%
Money market funds	0% to 30%

The money-weighted investment return for fiscal 2020 was 1.87%.

**(d) Actuarial Methods and Assumptions – The District**

Projections of benefits for financial reporting purposes are based on the substantive Plan (The Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

- Investment rate of return – 7.25% per year (formerly 7.35%)
- Actuarial cost method – entry age normal
- Medical care inflation – 4.5% per year
- Participation – 65% are expected to participate in future retiree medical plans
- Mortality – Healthy, disabled and beneficiary mortality is based on the RP-2010 General Healthy Table – Projected to 2025 using scale MP18

**(e) Net OPEB Liability – The District**

The District's net OPEB liability was determined using an actuarial valuation as of June 30, 2019 and a measurement date of June 30, 2020. The components of the net OPEB liability of the District at June 30, 2020 were as follows:

Total OPEB liability	\$ 5,175
Plan fiduciary net position	(2,373)
Net OPEB liability	<u>\$ 2,802</u>

Plan fiduciary net position as a percentage of the total OPEB liability	45.9%
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**(f) Discount rate – The District**

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be

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made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine to the total OPEB liability.

**(g) Changes in the Net OPEB Liability – The District**

The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 4,935	\$ 2,142	\$ 2,793
Changes for the year:			
Service cost	126	-	126
Interest	358	-	358
Employer contributions	-	420	(420)
Net investment income	-	40	(40)
Benefit payments	(244)	(229)	(15)
Net changes	<u>240</u>	<u>231</u>	<u>9</u>
Balances at June 30, 2020	<u>\$ 5,175</u>	<u>\$ 2,373</u>	<u>\$ 2,802</u>

**(h) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate–The District**

The following presents the net OPEB liability of the plan calculated using the discount rate of 7.25% as well as what the plan's net OPEB 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. The plan fiduciary net position as a percentage of the total OPEB liability is 45.9%.

	Discount Rate		
	1% decrease (6.25%)	No change (7.25%)	1% increase (8.25%)
Net OPEB liability	<u>\$ 3,695</u>	<u>\$ 2,802</u>	<u>\$ 2,291</u>

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**(i) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate—The District**

The following presents the net OPEB liability of the plan calculated using the current trend rates, as well as what the plan's net OPEB liability would be if it were calculated using trend rates 1-percentage-point lower for all years or 1-percentage-point higher than the current rates.

	Healthcare Trend		
	1% decrease	No Change	1% increase
Net OPEB liability	\$ 2,446	\$ 2,802	\$ 5,961

**(j) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related To OPEB—The District**

For the year ended June 30, 2020, the District recognized OPEB expense of \$307. At June 30, 2020, the District reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,309	\$ 752
Changes in assumptions	198	1,232
Difference between expected and actual earnings on OPEB plan investments	75	-
Total	\$ 1,582	\$ 1,984

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

2021	\$ (22)
2022	(22)
2023	(22)
2024	(16)
2025	(320)
	\$ (402)

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**(10) Accounts Receivable**

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

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<u>Receivables:</u>			
Governmental Funds			
Property taxes	\$ 21,498	(13,292)	8,206
Tax liens	4,061	(403)	3,658
Motor vehicle excise taxes	5,162	(2,062)	3,100
Special assessments	2,919	-	2,919
Departmental and other	5,969	(1,542)	4,427
	<u>39,609</u>	<u>(17,299)</u>	<u>22,310</u>
Intergovernmental	18,361	-	18,361
Total governmental funds	<u>57,970</u>	<u>(17,299)</u>	<u>40,671</u>
Internal Service Fund			
Self-insured health plan	5,601	-	5,601
Total internal service fund	<u>5,601</u>	<u>-</u>	<u>5,601</u>
Fiduciary Fund			
Departmental and other	484	-	484
Intergovernmental	952	-	952
Total fiduciary funds	<u>1,436</u>	<u>-</u>	<u>1,436</u>
Total receivables	<u>\$ 65,007</u>	<u>(17,299)</u>	<u>47,708</u>

At June, 30, 2020, receivables for the enterprise funds are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<u>Receivables:</u>			
Charges for services	\$ 14,566	-	14,566
Utility liens	1,769	-	1,769
Special assessments	602	-	602
Total enterprise funds	<u>\$ 16,937</u>	<u>-</u>	<u>16,937</u>

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

	General Fund	Other Governmental Funds	Total
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-school construction reimbursement			
Intergovernmental (school construction)	\$ 8,006	-	8,006
Unavailable revenue-property taxes			
Property taxes	5,881	-	5,881
Tax liens	3,445	-	3,445
	9,326	-	9,326
Unavailable revenue-other			
Special assessments	2,919	-	2,919
Departmental and other	1,422	3,006	4,428
Motor vehicle excise tax	2,034	-	2,034
Intergovernmental (other state)	1,263	-	1,263
	7,638	3,006	10,644
Total deferred inflows of resources	\$ 24,970	3,006	27,976

The Commonwealth has approved school construction assistance to the City through the Massachusetts School Building Authority (MSBA). The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2020, \$5,662 of such assistance was received. Approximately \$9,472 will be received in future fiscal years. Of this amount, \$1,466 represents reimbursement of long-term interest costs, and \$8,006 represents reimbursement of approved construction costs. Accordingly, a \$8,006 intergovernmental receivable and corresponding deferred inflow of resources have been reported in the governmental funds financial statements. The deferred inflow of resources has been recognized as revenue in the conversion to the government-wide financial statements.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

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### (11) Capital Assets

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

#### *Primary Government*

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 23,077	554	-	23,631
Construction in progress	62,540	138,543	-	201,083
Total capital assets not being depreciated	<u>85,617</u>	<u>139,097</u>	<u>-</u>	<u>224,714</u>
Capital assets, being depreciated:				
Buildings	808,223	7,928	1,495	814,656
Improvements other than buildings	222,844	5,505	-	228,349
Rolling equipment	42,457	2,220	5,736	38,941
Equipment and other	37,828	9,165	5,599	41,394
Infrastructure	337,627	16,857	40	354,444
	<u>1,448,979</u>	<u>41,675</u>	<u>12,870</u>	<u>1,477,784</u>
Less accumulated depreciation for:				
Buildings	353,396	25,471	1,495	377,372
Improvements other than buildings	47,332	11,188	-	58,520
Rolling equipment	31,541	2,695	5,736	28,500
Equipment and other	22,085	3,728	5,599	20,214
Infrastructure	178,167	13,662	40	191,789
	<u>632,521</u>	<u>56,744</u>	<u>12,870</u>	<u>676,395</u>
Total capital assets being depreciated, net	<u>816,458</u>	<u>(15,069)</u>	<u>-</u>	<u>801,389</u>
Governmental capital assets, net	<u>\$ 902,075</u>	<u>124,028</u>	<u>-</u>	<u>1,026,103</u>

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

Governmental activities:	
General government	\$ 941
Public safety	3,073
Health and human services	228
Education	18,235
Public works	23,888
Culture and recreation	10,314
Community development	<u>65</u>
Total depreciation expense – governmental activities	<u>\$ 56,744</u>

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	\$ 7,832	-	-	7,832
Total capital assets, not being depreciated	7,832	-	-	7,832
Capital assets, being depreciated:				
Buildings	43,905	2,318	47	46,176
Rolling equipment	3,814	50	-	3,864
Infrastructure	179,608	8,946	-	188,554
Equipment and other	3,924	-	-	3,924
Total capital assets, being depreciated	231,251	11,314	47	242,518
Less accumulated depreciation for:				
Buildings	25,914	1,238	47	27,105
Rolling equipment	2,948	222	-	3,170
Infrastructure	97,055	6,711	-	103,766
Equipment and other	1,078	457	-	1,535
Total accumulated depreciation	126,995	8,628	47	135,576
Total capital assets, being depreciated, net	104,256	2,686	-	106,942
Water capital assets, net	112,088	2,686	-	114,774
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Total capital assets, not being depreciated	117	-	-	117
Capital assets, being depreciated:				
Buildings	5,459	-	83	5,376
Rolling equipment	9,667	219	-	9,886
Infrastructure	266,205	12,749	-	278,954
Equipment and other	516	-	43	473
Total capital assets, being depreciated	281,847	12,968	126	294,689
Less accumulated depreciation for:				
Buildings	3,123	206	83	3,246
Rolling equipment	7,067	705	-	7,772
Infrastructure	127,600	10,998	-	138,598
Equipment and other	476	20	43	453
Total accumulated depreciation	138,266	11,929	126	150,069
Total capital assets, being depreciated, net	143,581	1,039	-	144,620
Sewer capital assets, net	143,698	1,039	-	144,737

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Golf course (nonmajor):				
Capital assets, being depreciated:				
Buildings	\$ 966	-	7	959
Infrastructure	<u>3,831</u>	<u>-</u>	<u>-</u>	<u>3,831</u>
Total capital assets, being depreciated	<u>4,797</u>	<u>-</u>	<u>7</u>	<u>4,790</u>
Less accumulated depreciation for:				
Buildings	531	42	7	566
Infrastructure	<u>1,279</u>	<u>169</u>	<u>-</u>	<u>1,448</u>
Total accumulated depreciation	<u>1,810</u>	<u>211</u>	<u>7</u>	<u>2,014</u>
Total capital assets, being depreciated, net	<u>2,987</u>	<u>(211)</u>	<u>-</u>	<u>2,776</u>
Golf capital assets, net	<u>2,987</u>	<u>(211)</u>	<u>-</u>	<u>2,776</u>
Business-type activities capital assets, net	<u>\$ 258,773</u>	<u>3,514</u>	<u>-</u>	<u>262,287</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component units - The District:				
Capital assets, not being depreciated				
Land	\$ 725	-	-	725
Construction in progress	<u>31,461</u>	<u>1,888</u>	<u>25,926</u>	<u>7,423</u>
Total capital assets, not being depreciated	<u>32,186</u>	<u>1,888</u>	<u>25,926</u>	<u>8,148</u>
Capital assets, being depreciated:				
Treatment facilities	254,496	26,012	-	280,508
Equipment and other	<u>11,571</u>	<u>685</u>	<u>-</u>	<u>12,256</u>
Total capital assets, being depreciated	<u>266,067</u>	<u>26,697</u>	<u>-</u>	<u>292,764</u>
Less accumulated depreciation for:				
Treatment facilities	115,756	7,979	-	123,735
Equipment and other	<u>6,561</u>	<u>661</u>	<u>-</u>	<u>7,222</u>
Total accumulated depreciation	<u>122,317</u>	<u>8,640</u>	<u>-</u>	<u>130,957</u>
Total capital assets, being depreciated, net	<u>143,750</u>	<u>18,057</u>	<u>-</u>	<u>161,807</u>
The District's capital assets, net	<u>\$ 175,936</u>	<u>19,945</u>	<u>25,926</u>	<u>169,955</u>



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

Discretely presented component

units - WRA:

Capital assets, not being depreciated

Land	\$	1,054	-	-	1,054
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Construction in progress		4,030	3,698	-	7,728
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Total capital assets, not being depreciated		5,084	3,698	-	8,782
--	--	-------	-------	---	-------

Capital assets, being depreciated:

Buildings		41,064	-	-	41,064
-----------	--	--------	---	---	--------

Equipment and other		228	-	-	228
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Total capital assets, being depreciated		41,292	-	-	41,292
--	--	--------	---	---	--------

Less accumulated depreciation for:

Buildings		18,132	1,053	-	19,185
-----------	--	--------	-------	---	--------

Equipment and other		149	7	-	156
---------------------	--	-----	---	---	-----

Total accumulated depreciation		18,281	1,060	-	19,341
--------------------------------	--	--------	-------	---	--------

Total capital assets, being depreciated, net		23,011	(1,060)	-	21,951
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WRA capital assets, net	\$	28,095	2,638	-	30,733
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### ***Construction Commitments***

The City has active construction projects as of June 30, 2020. The projects include land improvements, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent through June 30, 2020</u>	<u>Remaining commitment</u>
Building improvements	\$ 95,927	114,650
Infrastructure improvements	96,616	43,118
Land improvements	15,865	5,264
Total	\$ <u>208,408</u>	<u>163,032</u>

The commitments for the aforementioned projects are being funded by general obligation bonds and intergovernmental revenue.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(12) Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2020 is summarized as follows:

***Governmental Activities***

Capital assets	\$ 1,702,498
Less accumulated depreciation	(676,395)
Less outstanding long-term debt (including capital leases)	(560,144)
Less outstanding temporary debt	(99,239)
Add outstanding debt that is not capital related	105,982
Add unspent proceeds of capital related debt	51,794
Less retainage	<u>(6,108)</u>
Net investment in capital assets	\$ <u>518,388</u>

***Business-Type Activities***

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 250,350	294,806	4,790	549,946
Less accumulated depreciation	(135,576)	(150,069)	(2,014)	(287,659)
Less outstanding long-term debt	(61,091)	(109,470)	(2,557)	(173,118)
Less outstanding temporary debt	(10,940)	(15,724)	-	(26,664)
Add unspent proceeds of capital related debt	7,628	7,089	23	14,740
Less retainage	<u>(158)</u>	<u>(284)</u>	<u>-</u>	<u>(442)</u>
Net investment in capital assets	\$ <u>50,213</u>	<u>26,348</u>	<u>242</u>	<u>76,803</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(13) Lease Obligations**

**(a) Capital Leases**

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of computer equipment for schools valued at \$1,930. The equipment has a five-year estimated useful life. This year, \$193 was included in depreciation expense. The net book value of the equipment is \$1,531. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 481
2022	480
2023	<u>481</u>
Total minimum lease payments	1,442
Less: amount representing interest	<u>(111)</u>
Present value of minimum lease payments	\$ <u><u>1,331</u></u>

The portion of the capital lease that is due within one year is \$420 and amounts due in more than one year total \$911.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of computer equipment for schools valued at \$962. The equipment has a five-year estimated useful life. This year, \$192 was included in depreciation expense. The net book value of the equipment is \$673. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2021	\$ 217
2022	217
2023	216
2024	<u>108</u>
Total minimum lease payments	758
Less: amount representing interest	<u>(64)</u>
Present value of minimum lease payments	<u>\$ 694</u>

The portion of the capital lease that is due within one year is \$187 and amounts due in more than one year total \$507.

The City entered into a lease agreement in fiscal 2018 as lessee for financing the acquisition of computer equipment for schools valued at \$1,406. The equipment has a five-year estimated useful life. This year, \$281 was included in depreciation expense. The net book value of the equipment is \$703. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ <u>362</u>
Total minimum lease payments	362
Less: amount representing interest	<u>(4)</u>
Present value of minimum lease payments	<u>\$ 358</u>

The portion of the capital lease that is due within one year is \$358.

The City entered into a lease agreement in fiscal 2015 as lessee for financing the acquisition of communication equipment for public safety valued at \$7,671. The equipment has a fifteen-year estimated useful life. This year, \$511 was included in depreciation expense. The net book value of the equipment is \$5,370. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 695
2022	695
2023	695
2024	695
2025	695
2026 - 2030	<u>4,173</u>
Total minimum lease payments	7,648
Less: amount representing interest	<u>(1,493)</u>
Present value of minimum lease payments	\$ <u><u>6,155</u></u>

The portion of the capital lease that is due within one year is \$459 and amounts due in more than one year total \$5,696.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of school buses valued at \$794. The equipment has a six-year estimated useful life. This year, \$132 was included in depreciation expense. The net book value of the equipment is \$596. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 147
2022	147
2023	147
2024	<u>140</u>
Total minimum lease payments	581
Less: amount representing interest	<u>(52)</u>
Present value of minimum lease payments	\$ <u><u>529</u></u>

The portion of the capital lease that is due within one year is \$126 and amounts due in more than one year total \$403.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of school buses valued at \$1,372. The equipment has a six-year estimated useful life. This year, \$229 was included in depreciation expense. The net book value of the equipment is \$1,029. This lease

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 211
2022	211
2023	212
2024	240
2025	<u>240</u>
Total minimum lease payments	1,114
Less: amount representing interest	<u>(114)</u>
Present value of minimum lease payments	\$ <u>1,000</u>

The portion of the capital lease that is due within one year is \$172 and amounts due in more than one year total \$828.

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of school buses valued at \$729. The equipment has a five-year estimated useful life. This year, \$73 was included in depreciation expense. The net book value of the equipment is \$656. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 131
2022	131
2023	131
2024	130
2025	<u>150</u>
Total minimum lease payments	673
Less: amount representing interest	<u>(72)</u>
Present value of minimum lease payments	\$ <u>601</u>

The portion of the capital lease that is due within one year is \$108 and amounts due in more than one year total \$493.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment for schools valued at \$1,516. The equipment has a five-year estimated useful life. This year, \$152 was included in depreciation expense. The net book value of the equipment is \$1,365. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 391
2022	391
2023	<u>391</u>
Total minimum lease payments	1,173
Less: amount representing interest	<u>(29)</u>
Present value of minimum lease payments	<u><u>\$ 1,144</u></u>

The portion of the capital lease that is due within one year is \$377 and amounts due in more than one year total \$767.

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment for schools valued at \$251. The equipment has a five-year estimated useful life. This year, \$25 was included in depreciation expense. The net book value of the equipment is \$226. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 87
2022	<u>87</u>
Total minimum lease payments	174
Less: amount representing interest	<u>(10)</u>
Present value of minimum lease payments	<u><u>\$ 164</u></u>

The portion of the capital lease that is due within one year is \$81 and amounts due in more than one year total \$83.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment valued at \$655. The equipment has a five-year estimated useful life. This year, \$65 was included in depreciation expense. The net book value of the equipment is \$589. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 142
2022	142
2023	142
2024	<u>142</u>
Total minimum lease payments	568
Less: amount representing interest	<u>(46)</u>
Present value of minimum lease payments	<u>\$ 522</u>

The portion of the capital lease that is due within one year is \$124 and amounts due in more than one year total \$398.

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment valued at \$244. The equipment has a five-year estimated useful life. This year, \$24 was included in depreciation expense. The net book value of the equipment is \$219. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 52
2022	52
2023	53
2024	<u>53</u>
Total minimum lease payments	210
Less: amount representing interest	<u>(19)</u>
Present value of minimum lease payments	<u>\$ 191</u>



## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

The portion of the capital lease that is due within one year is \$45 and amounts due in more than one year total \$146.

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment valued at \$1,325. The equipment has a five-year estimated useful life. This year, \$132 was included in depreciation expense. The net book value of the equipment is \$1,193. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 285
2022	285
2023	285
2024	<u>286</u>
Total minimum lease payments	1,141
Less: amount representing interest	<u>(101)</u>
Present value of minimum lease payments	<u>\$ 1,040</u>

The portion of the capital lease that is due within one year is \$246 and amounts due in more than one year total \$794.

The City entered into a lease agreement in fiscal 2020 as lessee for financing the acquisition of computer equipment valued at \$1,325. The equipment has a five-year estimated useful life. This year, \$132 was included in depreciation expense. The net book value of the equipment is \$1,193. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2021	\$ 285
2022	285
2023	285
2024	<u>286</u>
Total minimum lease payments	1,141
Less: amount representing interest	<u>(101)</u>
Present value of minimum lease payments	<u>\$ 1,040</u>

The portion of the capital lease that is due within one year is \$246 and amounts due in more than one year total \$794.

**(b) Operating Leases**

The City currently conducts part of its student transportation operations from a leased facility and bus yard under a non-cancelable operating lease. Total costs for the lease was \$217 for the year ended June 30, 2020, including \$198 for the lease and \$19 for utilities and other. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ <u>250</u>
Total	<u>\$ 250</u>

The City currently leases ten thousand square feet of premises for use as a public school facility. Total cost for the lease was \$213 for the year ended June 30, 2020. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ <u>218</u>
Total	<u>\$ 218</u>

The City currently leases premises for use of gymnasium and parking spaces by a public school under a non-cancelable operating lease. Total cost for the lease was \$49 for the year ended June 30, 2020. Future minimum lease payments for the lease are as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

	<u><b>Amount</b></u>
Year ending June 30:	
2021	50
2022	52
2023	53
2024	55
2025	<u>56</u>
Total	<u><u>\$ 266</u></u>

The City currently leases land for the purpose of installing and operating an emergency communications radio tower. The lease is for ten years with an option to extend for an additional ten years. Total costs for the lease was \$24 for the year ended June 30, 2020. Future minimum lease payments for the lease are as follows:

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 24
2022	24
2023	24
2024	24
2025	<u>24</u>
Total minimum lease payments	<u><u>\$ 120</u></u>

The City leases office space for the use of the workforce career center. The lease is for five years. Total costs for the lease was \$82 for the year ended June 30, 2020. Future minimum lease payments for the lease are as follows:

	<u><b>Amount</b></u>
Year ending June 30:	
2021	\$ 82
2022	<u>55</u>
Total minimum lease payments	<u><u>\$ 137</u></u>

The City leases 70 golf carts for use at its municipal owned golf course treated as an operating lease. The lease is for five years. Total costs for the lease was \$43 for the year ended June 30, 2020. Future minimum lease payments for the lease are as follows:

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

Year ending June 30:

2021	\$	43
2022		43
2023		43
2024		43
Total minimum lease payments	\$	<u>172</u>

### (14) Long-Term Obligations

#### (a) Changes in Long Term Obligations - Primary Government

##### *Governmental Activities*

The following is a summary of changes in noncurrent governmental bond principal and other long-term obligations, including portions due within one year, as reported in the statement of net position.

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:					
Inside debt limit	\$ 203,960	37,227	23,644	217,543	24,495
Outside debt limit	323,911	25,946	23,655	326,202	24,527
Notes from direct borrowings	1,718	-	88	1,630	92
Capital lease payable	11,811	6,045	3,087	14,769	2,949
Judgments and claims	17,067	4,090	5,126	16,031	4,320
Compensated absences	14,483	15,893	14,483	15,893	11,203
Landfill closure and post closure care costs	11,676	-	377	11,299	500
Net pension liability	527,092	-	72,737	454,355	-
Net OPEB liability	900,364	98,794	-	999,158	-
Deferred amounts on bond premium	20,890	5,363	4,518	21,735	3,697
	<u>\$ 2,032,972</u>	<u>193,358</u>	<u>147,715</u>	<u>2,078,615</u>	<u>71,783</u>

For governmental activities, bonds and notes payable are liquidated by the general fund, debt service fund and various other governmental funds. All other long-term obligations typically have been liquidated in prior years by the general fund.

##### *Business-Type Activities*

The following is a summary of changes in noncurrent business-type bond principal and other long-term obligations, including portions due within one year as reported in the statement of net position.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:					
Inside debt limit	\$ 9,367	11,606	1,244	19,729	1,790
Outside debt limit	146,695	11,261	9,046	148,910	9,612
Notes from direct borrowings	4,763	-	284	4,479	289
Judgments and claims	1,898	661	203	2,356	406
Compensated absences	741	845	741	845	718
Net pension liability	30,384	-	3,749	26,635	-
Net OPEB liability	18,278	8,892	-	27,170	-
Deferred amounts on bond premium	3,957	2,020	795	5,182	596
	<u>\$ 216,083</u>	<u>35,285</u>	<u>16,062</u>	<u>235,306</u>	<u>13,411</u>

On February 12, 2020 the City issued general obligation bonds totaling \$86,040 for current projects. The proceeds consisted of \$63,173 for governmental activities and \$22,867 for business-type activities.

### (b) *Detail of Individual Long-Term Debt Issues – Primary Government*

#### **General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and a pension funding loan in 1998. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 30 years. General obligation bonds of the primary government outstanding at June 30, 2020 are as follows:

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### *Governmental Activities*

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2020
1998 General Obligation Bonds, Pension Funding Loan	\$ 220,979	6.25%	2028	\$ 102,310
2001 General Obligation Bonds	26,685	5.25% to 5.41%	2021	370
2002 General Obligation Bonds, Series A	18,365	4.00% to 5.00%	2023	1,396
2002 General Obligation Bonds, Series B	8,000	4.25% to 4.625%	2021	130
2003 General Obligation Bonds, Series C	17,670	3.30% to 4.00%	2024	1,024
2003 General Obligation Bonds, Series D	5,965	4.125% to 5.80%	2023	865
2004 General Obligation Bonds	43,110	4.50% to 5.25%	2025	6,365
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	1,978
2005 General Obligation Bonds, Series C	46,125	4.00% to 4.125%	2026	8,901
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	3,032
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	1,729
2010 General Obligation Bonds, Series A	19,850	3.00% to 4.25%	2036	1,615
2010 DCU Special Improvement District Bonds, Series B	5,050	5.75% to 6.75%	2035	165
2011 General Obligation School Bond	10,000	2.00%	2041	7,000
2011 General Obligation Refunding	7,585	2.50% to 3.00%	2022	608
2011 General Obligation Bonds, Series A	21,057	3.00% to 4.25%	2037	5,342
2011 General Obligation Bonds, Series B DCU Special District	1,005	3.75% to 5.00%	2029	771
2011 General Obligation Bonds, Series B Foley Stadium	961	3.75% to 5.00%	2029	190
2012 District Improvement Financing Bonds	6,485	3.00% to 5.00%	2040	6,090
2012 General Obligation Bonds	48,150	3.00% to 4.00%	2038	27,418
2013 General Obligation Refunding	3,016	3.00% to 5.00%	2024	936
2013 General Obligation Bonds	52,492	3.00% to 5.00%	2039	32,826
2014 General Obligation Bonds, Series A	27,609	3.00% to 5.00%	2040	15,939
2014 DCU Special Improvement District Bonds, Series B	13,979	3.125% to 4.25%	2039	11,905
2014 General Obligation Refunding Bonds, Series C	3,195	2.00% to 5.00%	2025	2,041
2014 General Obligation Refunding Bonds, Series A	4,212	2.00% to 5.00%	2040	1,247
2015 General Obligation Bonds, Series A	26,895	3.00% to 5.00%	2041	18,023
2015 General Obligation Bonds, Series B	17,386	2.95% to 5.00%	2033	15,628
2015 General Obligation Refunding Bonds, Series C	9,439	2.00% to 5.00%	2027	5,184
2016 General Obligation Bonds, Series A	38,677	3.00% to 5.00%	2042	29,936
2016 General Obligation Refunding Bonds, Series B	8,892	3.00% to 5.00%	2028	6,186
2017 General Obligation Refunding Bonds (Aug. 2017)	13,038	2.125% to 5.00%	2037	11,546
2017 General Obligation Refunding Bonds (Nov. 2017)	10,195	2.25% to 5.00%	2036	10,195
2018 General Obligation Bonds, Series A	55,824	3.125% to 5.00%	2043	46,781
2018 General Obligation Bonds, Series B	28,545	3.25% to 4.00%	2043	27,085
2018 General Obligation Ballpark Project Bonds	31,355	3.525% to 4.750%	2049	31,355
2019 General Obligation Bonds	39,363	3.0% to 5.0%	2044	36,460
2020 General Obligation Bonds, Series A	45,478	2.125% to 4.0%	2045	45,478
2020 General Obligation Bonds, Series B	17,695	2.125% to 5.0%	2045	17,695
Total governmental activities general obligation bonds				\$ <u>543,745</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### ***Business-Type Activities***

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2020
2002 General Obligation Bonds, Series A	7,325	4.00% to 5.00%	2023	\$ 1,384
2003 General Obligation Bonds, Series C	7,945	3.30% to 4.00%	2024	11
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	367
2005 General Obligation Bonds, Series C	11,550	4.00% to 4.125%	2026	4
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	33
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	21
2010 General Obligation Bonds, Series A	12,805	3.00% to 4.25%	2036	1,125
2011 General Obligation Refunding	9,170	2.50% to 3.00%	2022	647
2011 General Obligation Bonds, Series A	10,240	3.00% to 4.25%	2037	1,562
2012 General Obligation Bonds	23,983	3.00% to 4.00%	2038	17,077
2013 General Obligation Refunding	3,444	3.00% to 5.00%	2024	1,479
2013 General Obligation Bonds	14,995	3.00% to 5.00%	2039	11,709
2014 General Obligation Bonds, Series A	18,420	2.00% to 5.00%	2040	14,461
2014 General Obligation Refunding Bonds Series C	3,575	2.00% to 5.00%	2025	5,934
2014 General Obligation Refunding Bonds, Series A	9,248	2.00% to 5.00%	2040	1,873
2015 General Obligation Bonds, Series A	14,598	3.00% to 5.00%	2041	11,629
2015 General Obligation Refunding Bonds, Series C	11,216	2.00% to 5.00%	2027	7,716
2016 General Obligation Bonds, Series A	17,097	3.00% to 5.00%	2042	14,904
2016 General Obligation Refunding Bonds, Series B	6,198	3.00% to 5.00%	2028	4,859
2017 General Obligation Refunding Bonds (Aug. 2017)	6,362	2.125% to 5.00%	2037	5,349
2017 General Obligation Refunding Bonds (Nov. 2017)	11,440	2.25% to 5.00%	2036	11,440
2018 General Obligation Bonds, Series A	12,886	3.125% to 5.00%	2043	11,578
2019 General Obligation Bonds	21,542	3.0% to 5.0%	2044	20,610
2020 General Obligation Bonds, Series A	22,867	2.125% to 4.0%	2045	22,867
Total business-type activities general obligation bonds				\$ <u>168,639</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### Notes from Direct Borrowings

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$1,630. The City also has loan agreements with the Massachusetts Clean Water Trust (MCWT) to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of \$4,479.

#### *Governmental Activities – Loans Payable HUD Section 108*

	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2020</u>
2015 - A series loan	\$ 2,030	2.635% to 2.85%	2025	\$ 1,630
				\$ 1,630

#### *Business-Type Activities – Loans payable MCWT*

	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2020</u>
2006 clean water loan to sewer fund	\$ 949	4.90%	2024	\$ 280
2014 clean water loan to sewer fund	851	2.00%	2033	619
2015 clean water loan to sewer fund	562	2.00%	2035	443
2016 clean water loan to sewer fund	1,048	2.00%	2036	873
2017 clean water loan to sewer fund	2,671	2.00%	2037	2,264
				\$ 4,479



**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(c) Maturity of Bond Indebtedness-Primary Government**

Bond indebtedness outstanding at June 30, 2020 matures as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>			
	<b>Governmental Funds</b>		<b>Water</b>		<b>Sewer</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:						
2021	\$ 49,022	23,444	4,894	2,279	6,194	3,803
2022	44,263	21,202	4,639	2,073	5,971	3,532
2023	43,541	18,963	4,509	1,865	6,011	3,264
2024	42,401	16,863	4,389	1,663	5,505	2,998
2025	40,703	14,832	4,105	1,468	5,441	2,755
2026-2030	151,787	47,660	14,648	5,243	23,946	10,862
2031-2035	74,560	25,086	10,148	3,240	21,662	7,125
2036-2040	50,725	13,983	9,651	1,530	21,332	3,387
2041-2045	27,718	6,547	4,108	342	8,929	705
2046-2050	19,025	2,163	-	-	-	-
	<u>\$ 543,745</u>	<u>190,743</u>	<u>61,091</u>	<u>19,703</u>	<u>104,991</u>	<u>38,431</u>

	<b>Business-type activities</b>		<b>Business-type</b>	
	<b>Golf course (nonmajor)</b>		<b>activities totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2021	\$ 314	105	11,402	6,187
2022	315	92	10,925	5,697
2023	327	78	10,847	5,207
2024	164	64	10,058	4,725
2025	170	56	9,716	4,279
2026-2030	774	171	39,368	16,276
2031-2035	402	42	32,212	10,407
2036-2040	73	10	31,056	4,927
2041-2045	18	1	13,055	1,048
2046-2050	-	-	-	-
	<u>\$ 2,557</u>	<u>619</u>	<u>168,639</u>	<u>58,753</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the direct borrowings Section 108 and MCWT loans as of June 30, 2020 are as follows:

		<b><u>Governmental activities</u></b>					
		<b><u>General fund</u></b>					
		<b><u>Principal</u></b>	<b><u>Interest</u></b>				
Year ending June 30:							
2021	\$	92	44				
2022		97	42				
2023		102	39				
2024		107	37				
2025		1,232	17				
	\$	<u>1,630</u>	<u>179</u>				

		<b><u>Business-type activities</u></b>					
		<b><u>Sewer</u></b>		<b><u>Anticipated subsidy</u></b>		<b><u>Business-type activities totals (net)</u></b>	
		<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
Year ending June 30:							
2021	\$	289	96	1	8	288	88
2022		298	88	2	6	296	82
2023		308	80	4	4	304	76
2024		313	71	5	-	308	71
2025		245	66	-	-	245	66
2026-2030		1,307	255	-	-	1,307	255
2031-2035		1,344	117	-	-	1,344	117
2036-2037		375	11	-	-	375	11
	\$	<u>4,479</u>	<u>784</u>	<u>12</u>	<u>18</u>	<u>4,467</u>	<u>766</u>

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

#### (d) *Authorized and Unissued Debt*

Certain debt described in the statutes as inside debt limit is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively; of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Municipal Finance Oversight Board. Additionally, certain categories of general obligation debt are exempt from the debt limit described in the statutes as outside the debt limit and subject to other statutory limitations.

Authorized and unissued debt at June 30, 2020 is as follows:

##### Inside debt limit:

Building rehabilitation	\$	108,236
Parks improvements		41,824
Off-street parking		32,918
Street and sidewalk construction		36,103
Departmental equipment		19,454
Other		19,362
Total inside debt limit		<u>257,897</u>

##### Outside debt limit:

School construction		169,700
Sewer		90,464
Water		73,581
Ballpark construction		63,396
DCU Center improvements		22,363
CitySquare		21,076
Total outside debt limit		<u>440,580</u>
Total inside and outside debt limit	\$	<u>698,477</u>

At June 30, 2020, in addition to debt authorized but unissued, the City may issue \$171,654 of additional inside debt under the normal debt (5%) limit. The City had \$475,112 of outstanding debt exempt from or outside the debt limit.

#### (e) *Outstanding Defeased Debt*

Proceeds of the advanced refunding bonds issued in prior years will be used to defease certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2020, \$26,455 of bonds outstanding is considered defeased.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(f) Discretely Presented Component Units (The District)**

The District issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities. Additionally, the District incurs various other long-term obligations relative to associated personnel costs. The following reflects the activity in the District's long-term liability accounts:

	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:	\$ 15,380	5,305	2,345	18,340	1,805
Direct borrowings and placements	125,066	17,100	6,384	135,782	6,484
Unamortized bond premiums	1,325	-	262	1,063	195
Total long-term debt	141,771	22,405	8,991	155,185	8,484
Compensated absences	590	67	30	627	440
Total OPEB liability	2,793	4,298	4,289	2,802	-
Net pension liability	8,297	4,014	2,777	9,534	-
	<u>\$ 153,451</u>	<u>30,784</u>	<u>16,087</u>	<u>168,148</u>	<u>8,924</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The bonds are generally issued as 20-30 year serial bonds with varying amounts of principal maturing each year. The District's last bond rating was AA3.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

General obligation bonds and notes payable of the District consisted of the following at June 30, 2020:

Purpose/Type	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2020
2012 General Obligation Bonds	2.00% - 4.00%	2040	\$ 2,710
2016 General Obligation Bonds	2.00% - 3.00%	2032	4,160
2019 General Obligation Bonds	2.00% - 3.00%	2036	5,305
2015 General Obligation Bonds	5.00%	2023	2,085
2016 General Obligation Bonds	2.00% - 3.00%	2028	4,080
MCWT 00-41 - August 2004	3.50% - 5.25%	2021	35
MCWT CW-03-14 - December 2006	2.00%	2035	29,297
MCWT CW-03-14A - December 2006	2.35%	2035	3,835
MCWT CW-06-17 - March 2007	2.00%	2037	17,041
MCWT CW-06-17-A - December 2007	2.41%	2038	8,222
MCWT CW-06-17-B - March 2009	2.42%	2039	16,499
MCWT CW-06-17-C - June 2012	2.40%	2041	16,836
MCWT CWS-09-18 - July 2010	2.40%	2041	5,612
MCWT CWS-09-18-A - May 2014	2.00%	2033	13,878
MCWT CWP-16-39 - September 2018	2.00%	2038	8,119
MCWT CWP-16-39-A - October 2019	2.00%	2039	14,393
MCWT CWP-16-39-A - October 2019	2.00%	2039	2,015
Total District general obligation bonds and direct borrowings			\$ <u>154,122</u>

Scheduled bond principal and interest repayments and related anticipated subsidies of the District are as follows:

Year ending June 30:	General obligation bonds		Direct borrowings and placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,805	541	6,484	3,664
2022	1,855	479	6,621	3,471
2023	1,910	414	6,795	3,283
2024	1,205	348	6,976	3,095
2025	1,230	318	7,161	2,890
2026-2030	5,405	1,089	38,745	10,861
2031-2035	3,310	442	41,656	4,926
2036-2040	1,620	90	20,000	1,129
2041-2045	-	-	1,344	16
	\$ <u>18,340</u>	<u>3,721</u>	<u>135,782</u>	<u>33,335</u>

*Authorized But Unissued Debt* – At June 30, 2020, there were no amounts authorized but unissued for long-term debt of the District.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

(g) Discretely Presented Component Units (WRA)

On March 24, 1997, the WRA and City entered into a Cooperation Agreement (Agreement) concerning funding initiatives of the WRA. On December 14, 2000, the WRA voted to authorize the execution of any legal document in any effort to secure the repayment to the City of any funds the City may provide to finance the WRA's initiatives. Pursuant to the Agreement and the vote of the WRA on December 14, 2000, the WRA and City have executed several amendments to the Agreement whereby the City has agreed to loan the WRA various amounts at varying interest rates (ranging from 2.83% to 5.15%) and maturity dates.

Details related to notes payable to the City at June 30, 2020, are as follows:

<b>Project</b>	<b>Outstanding at June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding at June 30, 2020</b>
Union Station - Building Fit Out	\$ 4,090	2,202	-	6,292
Union Station - Operating	7,207	496	-	7,703
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	334	-	-	334
<b>Total</b>	<b>\$ 12,194</b>	<b>2,698</b>	<b>-</b>	<b>14,892</b>

Debt service requirements in future fiscal years are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 14,194	4,201	18,395
2022	698	37	735
<b>Total</b>	<b>\$ 14,892</b>	<b>4,238</b>	<b>19,130</b>

In addition to notes payable of \$14,892, the WRA also has accrued interest payable due in fiscal year 2021 of \$8 and due to City of Worcester – ballpark assets of \$60,097, for total noncurrent liabilities of \$74,997.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### (15) Temporary Borrowings

#### (a) Primary Government

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANs or TANs);
- Special revenue, capital project, and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANs); and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANs and SAANs).

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures/expenses on temporary borrowings for the year ended June 30, 2020 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$2,776.

At June 30, 2020, BANS totaling \$125,903 with interest rates of 1.75% to 2.00% and maturing February 16, 2021 were outstanding. The following is a summary of changes in temporary loans:

	<b>Outstanding as of June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2020</b>
Bond anticipation notes payable:				
General	\$ 48,918	116,239	65,918	99,239
Water	10,227	10,940	10,227	10,940
Sewer	13,964	15,724	13,964	15,724
Golf	599	-	599	-
Total	<u>\$ 73,708</u>	<u>142,903</u>	<u>90,708</u>	<u>125,903</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(b) Discretely Presented Component Units – The District**

The District issues bond anticipation notes payable as preliminary financing for major capital additions. BAN activity for the year ended June 30, 2020 was as follows:

	<b>Outstanding as of June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2020</b>
Massachusetts Clean				
Water Trust Interim Loan	\$ 14,859	1,806	16,665	-
Bond Anticipation Note	4,350	-	4,350	-
Bond Anticipation Note	<u>\$ 19,209</u>	<u>1,806</u>	<u>21,015</u>	<u>-</u>



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### (16) Interfund Receivables, Payables and Transfers

At June 30, 2020, there was a receivable and payable between the general fund and nonmajor governmental funds in the amounts of \$1,077. Transfers and their purposes during the year ended June 30, 2020 were as follows:

	Governmental Funds					Proprietary Funds		
	General Fund	Debt Service Fund	Rehabilitation of Public Bldg. Fund	School Construction Fund	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget								
General fund - to fund debt payments	\$ (14,679)	14,679	-	-	-	-	-	-
Debt service fund - to promote tourism	500	(500)	-	-	-	-	-	-
Chapter 90 - to fund DPW engineering and street ops.	521	-	-	-	(521)	-	-	-
General fund - tax levy subsidy of golf fund	(200)	-	-	-	-	-	-	200
Special revenue fund sewer connection fees to fund DPW	119	-	-	-	(119)	-	-	-
Trust fund to general fund for cemetery debt service	59	-	-	-	(59)	-	-	-
Golf fund - to fund pension obligation bonds	20	-	-	-	-	-	-	(20)
Sewer fund - to fund pension obligation bonds	583	-	-	-	-	-	(583)	-
Water fund - to fund pension obligation bonds	775	-	-	-	-	(775)	-	-
Sub-total	(12,302)	14,179	-	-	(699)	(775)	(583)	180
Subsequent transfers:								
Capital project- to fund debt payments	-	7	-	-	(7)	-	-	-
Special revenue ride share fees to capital project for street signal	-	-	-	-	85	-	-	-
Special revenue ride share fees to capital project for street signal	-	-	-	-	(85)	-	-	-
Special revenue ride share fees to general fund for line painting	126	-	-	-	(126)	-	-	-
General fund - to fund golf operations	(395)	-	-	-	-	-	-	395
Insurance settlement fund - fire and park vehicles	62	-	-	-	(62)	-	-	-
Premium on loans to fund bond issuance costs	568	-	-	-	(568)	-	-	-
Special revenue PEG access reserve to general fund for internet	477	-	-	-	(477)	-	-	-
Special revenue PEG access reserved receipt for appropriation to city and school grant funds	-	-	-	-	1,527	-	-	-
Special revenue PEG access reserved receipt for appropriation to city and school grant funds	-	-	-	-	(1,527)	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	4,262	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	(4,262)	-	-	-
Special revenue real estate sales to capital projects for land acquisition for school site	-	-	-	450	(450)	-	-	-
Special revenue real estate sales to capital projects for memorial restoration	-	-	-	-	300	-	-	-
Special revenue real estate sales to capital projects for memorial restoration	-	-	-	-	(300)	-	-	-
Transfer among capital project nonmajor funds	-	-	-	-	815	-	-	-
Transfer among capital project nonmajor funds	-	-	(680)	-	(135)	-	-	-
Transfer from other capital project to water capital project	-	-	-	-	(100)	100	-	-
Capital project to special revenue for DCU Center	-	-	-	-	43	-	-	-
Capital project to special revenue for DCU Center	-	-	-	-	(43)	-	-	-
Capital project to special revenue for school playground	-	-	-	-	12	-	-	-
Capital project to special revenue for school playground	-	-	-	-	(12)	-	-	-
Transfer from spendable trust funds for expenditures	-	-	-	-	79	-	-	-
Transfer from spendable trust funds for expenditures	-	-	-	-	(79)	-	-	-
Total transfers, net	\$ (11,464)	14,186	(680)	450	(1,809)	(675)	(583)	575

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

#### **(17) Environmental Remediation (The District)**

The District is currently complying with the terms of a May 1, 2014 Administrative Order on Consent (the “AOC”) with the United States Environmental Protection Agency (“EPA”). In August 2016, a proposed modification to the AOC schedule was accepted by the EPA. The AOC is primarily focused on improvements to reduce effluent nitrogen and phosphorous levels and includes a schedule for future Phase B and Phase C projects that extend to 2027. To date, the District has complied with all the deadlines included in this order. The current AOC schedule agreement includes the opportunity to adjust the AOC schedule as part of the overall City of Worcester Integrated Water Resources Management Plan (the “IP”). The IP was completed and submitted to the EPA by the City of Worcester in October 2019. The IP includes a prioritized schedule for environmental projects funded by City of Worcester ratepayers. The IP schedule postpones the Phase B (estimated to approximate \$114,000) and the Phase C (estimated cost is dependent on the National Pollutant Discharge Elimination System permit level for nitrogen) project construction until 2034 and 2038, respectively.

#### **(18) Risk Management**

The City is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, unemployment, and employee health and life insurance claims.

Certain City buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$500 per incident. All City buildings have boiler and machinery insurance. The City is self-insured for other types of general liability; however, Chapter 258 of Massachusetts General Laws limits the City’s liability to a maximum of \$100 per claimant in all matters except actions relating to federal civil rights, eminent domain, and breach of contract. The City is also self-insured for unemployment and workers’ compensation.

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice (BCBS) and BCBS Medex as well as Fallon Direct, Advantage and Senior plans and Tufts Medicare preferred and supplementary plans. The partially self-insured BCBS, Fallon, Tufts supplementary and Medex plans are paid through an established internal service fund based on total claims, while the Tufts Medicare Preferred plan is based on premiums. Specific stop loss insurance is purchased for claims that exceed \$275 for each participating member of the self-insured health plans. 25% employee contributions are made. The remainder of such costs is funded by the City. The City offers \$5 of term life insurance benefits to its employees and pays 50% of the premiums. The City also provides health and life insurance benefits to certain retirees, as discussed in note 8.

Liabilities for self-insured judgments and claims are recorded in the basic financial statements if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs that have matured in the general fund in the fund-basis statements.

The City has established a liability for health claims based on actual amounts paid two months subsequent to year-end (provided by a third-party administrator) and an estimate of future claims based on historical trends.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

The City has established a liability for judgments and claims based on a case-by-case review of all known claims, estimates of losses incurred but not reported, incremental costs incurred only because of claims, historical trends of previous years, and attorneys' estimates of pending matters and lawsuits in which the City is involved.

Changes in the self-insurance liability for health claims (which are reported as accrued liabilities in the internal service fund) for the years ended June 30, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Health claims, beginning of year	\$ 7,169	5,185
Incurred claims	95,545	98,195
Payments of claims attributable to events of the current and prior fiscal years	(95,240)	(96,211)
Health claims, end of year	<u>\$ 7,474</u>	<u>7,169</u>

Changes in judgments and claims liability for the years ended June 30, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Judgments and claims, beginning of year	\$ 18,965	23,291
Additions to estimated claims liability	4,751	2,684
Payments of claims attributable to events of the current and prior fiscal years, and reductions to previous estimated liabilities:		
Court judgments and legal settlements	(2,350)	(2,325)
Workers' compensation	(2,979)	(4,685)
Judgments and claims, end of year	<u>\$ 18,387</u>	<u>18,965</u>

Judgments and claims consisted of the following at June 30:

	<b>2020</b>	<b>2019</b>
Workers' compensation	\$ 9,809	8,265
Court judgments and legal settlements	8,578	10,700
	<u>\$ 18,387</u>	<u>18,965</u>

The fiscal 2020 liability for judgments and claims consist of governmental and business-type activities in the amount of \$16,031 and \$2,356, respectively.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The liability for workers' compensation is reported at a net present value using a discount rate of 3.0% and 5.5% for the fiscal years ending June 30, 2020 and 2019, respectively.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

There are various other pending matters and lawsuits in which the City is involved. The City and its legal counsel estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the City's financial position.

### (19) Fund Balances

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General Fund	Debt Service Fund	Rehabilitation of Public Buildings Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Permanent fund principal.....	\$ -	-	-	-	15,717	15,717
<b>Restricted:</b>						
DCU Center operations.....	-	-	-	-	1,003	1,003
School lunch.....	-	-	-	-	6,640	6,640
Off-street parking.....	-	-	-	-	1,688	1,688
City revolving funds.....	-	-	-	-	7,453	7,453
School grants.....	-	-	-	-	5,175	5,175
School revolving funds.....	-	-	-	-	4,008	4,008
Community development.....	-	-	-	-	45	45
MassHire Central Region Workforce..	-	-	-	-	1,882	1,882
City grants.....	-	-	-	-	13,126	13,126
Capital.....	-	-	-	-	643	643
Permanent fund expendable.....	-	-	-	-	6,231	6,231
Sub-total - Restricted.....	-	-	-	-	47,894	47,894
<b>Committed:</b>						
Debt service.....	-	20,938	-	-	-	20,938
Receipts reserved.....	-	-	-	-	25,758	25,758
Sub-total - Committed.....	-	20,938	-	-	25,758	46,696
<b>Unassigned.....</b>	<u>53,226</u>	<u>-</u>	<u>(14,944)</u>	<u>(43,138)</u>	<u>(15,854)</u>	<u>(20,710)</u>
Total fund balances.....	\$ <u>53,226</u>	<u>20,938</u>	<u>(14,944)</u>	<u>(43,138)</u>	<u>73,515</u>	<u>89,597</u>

### (20) Fund Deficits

The following funds had deficits at June 30, 2020. These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

#### Major Funds

Rehabilitation of public buildings	\$ 14,944
School construction	43,138

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

### Nonmajor Funds

#### **Capital Projects Funds:**

Street and sidewalk	\$ 5,650
Capital equipment	514
Parks improvements	1,899
Baseball stadium	6,170
Other	923

#### **Special Revenue Funds:**

Police auxiliary	\$ 698
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#### **Proprietary Funds:**

Golf course enterprise	706
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## **(21) Fiduciary Fund Financial Statements**

The City's Pension Trust Fund and OPEB Trust Fund statements of fiduciary net position are as follows:

	<b>Pension Trust Funds (As of 12/31/19)</b>	<b>OPEB Trust Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,344	10,815	16,159
Investments, at fair value:			
Equities	12,851	-	12,851
Fixed income	100,909	-	100,909
Pooled equities	322,504	-	322,504
Pooled fixed income	57,326	9,775	67,101
External investment pool	317,693	-	317,693
Real estate	75,497	-	75,497
Alternative investments	143,977	-	143,977
<b>Total investments</b>	<u>1,030,757</u>	<u>9,775</u>	<u>1,040,532</u>
Receivables:			
Accrued interest and dividends	459	-	459
Due from Commonwealth of Massachusetts and other systems	952	-	952
Receivable for securities sold	25	-	25
<b>Total receivables</b>	<u>1,436</u>	<u>-</u>	<u>1,436</u>
<b>Total assets</b>	<u>1,037,537</u>	<u>20,590</u>	<u>1,058,127</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	172	-	172
Due to Commonwealth of Massachusetts and other systems	3,355	-	3,355
Payable for securities purchased	418	-	418
Due to employer	-	84	84
<b>Total liabilities</b>	<u>3,945</u>	<u>84</u>	<u>4,029</u>
<b>Net position:</b>			
Net position restricted for pensions	<u>\$ 1,033,592</u>	<u>20,506</u>	<u>1,054,098</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

The City's Pension Trust Fund and OPEB Trust Fund statements of changes in fiduciary net position are as follows:

	<b>Pension Trust Funds (As of 12/31/19)</b>	<b>OPEB Trust Fund</b>	<b>Total</b>
<b>Additions:</b>			
Contributions from:			
Employers	\$ 52,206	44,474	96,680
Plan members	20,740	-	20,740
Total contributions	<u>72,946</u>	<u>44,474</u>	<u>117,420</u>
Investment earnings:			
Interest and dividends	22,062	362	22,424
Net realized and unrealized gains	131,761	317	132,078
Less: management fees	(6,649)	-	(6,649)
Net investment income	<u>147,174</u>	<u>679</u>	<u>147,853</u>
Other	1,599	-	1,599
<b>Total additions</b>	<u>221,719</u>	<u>45,153</u>	<u>266,872</u>
<b>Deductions:</b>			
Benefit payments to plan members and beneficiaries	85,849	24,647	110,496
Reimbursements to other systems	3,515	-	3,515
Refunds and transfers of plan member accounts to other systems	2,571	-	2,571
Administrative expenses	658	-	658
<b>Total deductions</b>	<u>92,593</u>	<u>24,647</u>	<u>117,240</u>
<b>Net increase (decrease) in net position</b>	<u>129,126</u>	<u>20,506</u>	<u>149,632</u>
Net position restricted for pensions – beginning	904,466	-	904,466
Net position restricted for pensions – ending	<u>\$ 1,033,592</u>	<u>20,506</u>	<u>1,054,098</u>

## (22) Tax Abatements

The City of Worcester enters into property tax abatement agreements with local businesses under two state programs: the Massachusetts Housing Development Incentive Program (HDIP), and the Massachusetts Economic Development Incentive Program (EDIP). The Massachusetts Housing Development Incentive Program (HDIP) allows companies to receive state and local tax incentives in order to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas. Similarly, the Massachusetts Economic Development Incentive Program (EDIP) gives companies state and local tax incentives in order to foster job creation and stimulate business growth throughout the City.

Worcester negotiates property tax abatement agreements on an individual basis. As of June 30, 2020, Worcester had tax abatement agreements with twenty-four entities with sixteen of those entities receiving

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2020

(in thousands of dollars)

abatements in fiscal year 2020, and eight entities whose abatement will begin after fiscal year 2020 upon completion of the projects. The City's policy is to disclose individual tax abatement agreements in which the amount abated in fiscal year 2020 exceeded 10% of the total abatements made by the City in fiscal year 2020. In fiscal year 2020, Worcester abated property taxes totaling \$4,126. Detailed below are the tax abatement agreements that each exceed 10% of the total amount abated:

- 1 Mercantile St – an 86% property tax abatement to an insurance company for constructing a 198,974 square foot office building and relocate approximately 600 full-time employees. The abatement totals \$775, which accounts for 19% of total abatements in fiscal year 2020. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's Economic Opportunity Area (EOA) approved by the Economic Assistance Coordinating Council (EACC).
- 35 Major Taylor – a 50% property tax abatement given to a company for constructing a 128,000 square foot 199 room hotel and restaurant in downtown and 100 full-time jobs. The abatement totals \$524, which accounts for 13% of total abatements in fiscal 2020. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EOA.
- 125 Front St – a 57% property tax abatement given to a company for constructing a 120,000 square foot 170 room hotel in downtown and 100 full-time jobs. The abatement totals \$428, which accounts for 10% of total abatements in fiscal 2020. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EOA.

#### **(23) Minor League Ballpark (WRA)**

On December 12, 2014, the WRA and City entered into a Cooperation Agreement (Agreement) concerning an urban renewal/downtown urban revitalization plan. Pursuant to the Agreement and vote of the WRA on December 21, 2018, the WRA and City executed an amendment to the Agreement whereby the City has agreed to provide the WRA \$131,589 for the purpose of implementing and financing the construction of a multi-purpose, publicly owned, Triple-A professional baseball ballpark (ballpark) to serve as the home ballpark of the Triple-A affiliated professional baseball franchise operated by the Pawtucket Red Sox Baseball Club, LLC. An amendment to the cooperation agreement dated August 31, 2020 increased the amount the city has agreed to provide to the WRA to a total of \$167,462 to be funded through city bonds \$131,262 and state grants \$36,200.

Upon completion of the construction of the ballpark, the ballpark will be owned and operated by the City. During fiscal years 2019 and 2020, the City provided the WRA a total of \$63,890 to finance costs associated with the ballpark. Of this amount, the WRA spent a cumulative total of \$60,097 through June 30, 2020 including \$46,637 and \$13,460 for the years ending June 30, 2020 and 2019, respectively. The \$60,097 is reported as Assets Held for City of Worcester – Ballpark (asset) and Due to City of Worcester – Ballpark Assets (liability) by WRA in the Statement of Net Position. The \$3,793 of unspent funds as of June 30, 2020 are reported as Advances from City of Worcester – Ballpark (liability) by WRA in the Statement of Net Position.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2020

(in thousands of dollars)

**(24) Restatement (District)**

The District's net position at June 30, 2019 was restated to include future principal subsidies receivable due to the District from the MCWT. As a result, the beginning net position increased \$1,444 to \$18,393.

**(25) Prior Period Reclassifications of Major and Nonmajor Funds**

The beginning fund balances of the rehabilitation of public buildings fund, the school construction fund and nonmajor governmental funds have been restated from zero, zero, and \$60,148 to (\$11,805), (\$11,924) and \$83,877, respectively, to reflect the reclassification of the rehabilitation of public buildings fund and the school construction fund from nonmajor governmental funds to major funds.



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**REQUIRED SUPPLEMENTARY INFORMATION AND  
SUPPLEMENTARY STATEMENTS AND SCHEDULES**

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 311,739,649	311,708,052	307,735,559	(3,972,493)
Motor vehicle excise taxes	15,850,000	15,850,000	15,754,471	(95,529)
Penalties and interest on taxes:				
Property taxes	749,096	834,057	970,233	136,176
Tax titles	46,926	77,533	88,322	10,789
Motor vehicle excise	1,185,487	1,065,219	991,019	(74,200)
Special assessments	168,491	173,191	210,594	37,403
	2,150,000	2,150,000	2,260,168	110,168
Other taxes and in-lieu payments:				
In lieu of taxes	725,000	725,000	478,943	(246,057)
Special assessments	400,000	400,000	655,783	255,783
Canabis excise	-	500,000	499,677	(323)
Meals tax	-	3,045,000	2,933,200	(111,800)
Hotel/motel tax	1,350,000	1,305,000	1,620,479	315,479
	2,475,000	5,975,000	6,188,082	213,082
Licenses and permits:				
Clerk	237,010	263,888	280,469	16,581
Inspectional Services	4,159,113	4,171,522	5,096,759	925,237
Fire	234,607	234,995	223,295	(11,700)
Health	624,851	623,848	655,610	31,762
License Commission:				
Liquor & common victualer	850,000	799,998	834,145	34,147
Other	64,819	73,988	67,642	(6,346)
Police	100,828	93,833	58,149	(35,684)
Public Works	228,772	237,918	226,582	(11,336)
	6,500,000	6,499,990	7,442,651	942,661
Intergovernmental:				
State local aid	319,459,423	324,446,704	324,475,367	28,663
State school construction aid	5,662,262	5,662,262	5,662,261	(1)
State school busing assistance	-	-	573,685	573,685
School based Federal Medicaid	3,200,000	3,220,000	2,442,922	(777,078)
Federal indirect cost reimbursements	-	805,000	992,275	187,275
	328,321,685	334,133,966	334,146,510	12,544

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fines and forfeitures:				
Parking fines	\$ 1,650,000	1,800,000	1,362,449	(437,551)
Court fines	900,000	750,000	537,087	(212,913)
	<u>2,550,000</u>	<u>2,550,000</u>	<u>1,899,536</u>	<u>(650,464)</u>
Investment earnings	1,800,000	1,800,000	2,515,712	715,712
Charges for services:				
Airport land lease	80,000	110,000	100,000	(10,000)
Assessor	5,978	8,103	7,429	(674)
Clerk	511,784	662,922	505,544	(157,378)
Communications	330	405	270	(135)
Elder Affairs	67,141	80,168	70,045	(10,123)
Fire	276,507	289,279	260,967	(28,312)
Health	13,600	13,633	4,240	(9,393)
Hope Cemetery	460,000	460,001	407,511	(52,490)
Library	41,645	45,448	23,511	(21,937)
Marijuana Host Agreement Fees	605,000	250,000	700,000	450,000
Parks	88,147	88,146	24,049	(64,097)
Planning	111,954	149,047	121,454	(27,593)
Police	585,902	771,953	775,523	3,570
Public Works	1,720	12	17	5
Records Request	1,513	1,488	219	(1,269)
Schools	11,568	9,217	8,395	(822)
Solar Renewable Energy Certificates	1,271,058	1,271,058	2,120,630	849,572
Towing contracted revenue	300,000	475,000	228,628	(246,372)
Trailer coach park	2,521	3,090	2,772	(318)
Trash bags	3,250,000	3,250,000	3,435,339	185,339
Treasurer	17,837	15,245	16,440	1,195
	<u>7,704,205</u>	<u>7,954,215</u>	<u>8,812,983</u>	<u>858,768</u>
Miscellaneous	2,953,942	1,378,942	2,292,777	913,835
<b>Total revenues</b>	<b><u>682,044,481</u></b>	<b><u>690,000,165</u></b>	<b><u>689,048,449</u></b>	<b><u>(951,716)</u></b>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government:				
Council:				
Salaries	\$ 411,506	411,506	360,464	51,042
Ordinary maintenance	24,259	24,259	24,169	90
	435,765	435,765	384,633	51,132
Mayor's staff:				
Salaries	136,953	136,953	136,953	-
Ordinary maintenance	10,100	10,100	9,323	777
	147,053	147,053	146,276	777
City Manager:				
Salaries and overtime	1,411,444	1,412,444	1,398,492	13,952
Ordinary maintenance	232,900	296,900	200,562	96,338
Capital outlay	-	37,384	37,384	-
	1,644,344	1,746,728	1,636,438	110,290
Economic Development:				
Salaries	1,708,537	1,628,537	1,336,389	292,148
Ordinary maintenance	405,569	470,769	301,128	169,641
Capital outlay	2,500	2,500	-	2,500
	2,116,606	2,101,806	1,637,517	464,289
Promotion of Tourism:				
Ordinary maintenance	500,000	500,000	500,000	-
	500,000	500,000	500,000	-
Auditor:				
Salaries and overtime	530,788	530,788	527,909	2,879
Ordinary maintenance	91,735	91,735	90,062	1,673
	622,523	622,523	617,971	4,552
Administration & Finance:				
Salaries	627,496	548,336	515,286	33,050
Ordinary maintenance	43,385	43,385	33,122	10,263
	670,881	591,721	548,408	43,313
Treasurer and Collector:				
Salaries and overtime	1,201,199	1,191,199	1,088,442	102,757
Ordinary maintenance	719,605	1,296,269	1,292,539	3,730
Capital outlay	10,605	10,805	10,789	16
	1,931,409	2,498,273	2,391,770	106,503
Assessor:				
Salaries	621,700	606,700	604,695	2,005
Ordinary maintenance	156,689	171,689	139,884	31,805
	778,389	778,389	744,579	33,810

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Law:				
Salaries	\$ 1,087,255	1,087,255	1,030,073	57,182
Ordinary maintenance	168,250	168,250	124,890	43,360
Casualty insurance	139,832	139,832	137,386	2,446
Court judgments	2,990,000	2,990,000	2,760,656	229,344
	<u>4,385,337</u>	<u>4,385,337</u>	<u>4,053,005</u>	<u>332,332</u>
City Clerk:				
Salaries and overtime	611,646	637,632	637,221	411
Ordinary maintenance	61,900	61,900	61,767	133
	<u>673,546</u>	<u>699,532</u>	<u>698,988</u>	<u>544</u>
Energy & Asset Management:				
Salaries and overtime	443,068	498,068	467,009	31,059
Ordinary maintenance	1,139,276	1,329,276	1,027,855	301,421
Capital outlay	245,500	245,500	4,439	241,061
	<u>1,827,844</u>	<u>2,072,844</u>	<u>1,499,303</u>	<u>573,541</u>
Election Commission:				
Salaries and overtime	786,858	771,858	760,100	11,758
Ordinary maintenance	144,725	144,725	144,311	414
	<u>931,583</u>	<u>916,583</u>	<u>904,411</u>	<u>12,172</u>
Purchasing:				
Salaries	240,083	240,083	217,475	22,608
Ordinary maintenance	16,920	16,920	15,178	1,742
	<u>257,003</u>	<u>257,003</u>	<u>232,653</u>	<u>24,350</u>
Technical services:				
Salaries and overtime	2,823,460	2,823,460	2,740,275	83,185
Ordinary maintenance	2,256,360	2,859,820	2,798,089	61,731
Capital outlay	279,100	279,100	271,211	7,889
	<u>5,358,920</u>	<u>5,962,380</u>	<u>5,809,575</u>	<u>152,805</u>
Human Resources:				
Salaries and overtime	1,098,680	1,098,680	1,041,372	57,308
Ordinary maintenance	436,101	486,101	369,883	116,218
	<u>1,534,781</u>	<u>1,584,781</u>	<u>1,411,255</u>	<u>173,526</u>
Total general government	<u>23,815,984</u>	<u>25,300,718</u>	<u>23,216,782</u>	<u>2,083,936</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Salaries and overtime	\$ 49,350,339	50,021,437	49,933,280	88,157
Ordinary maintenance	2,719,650	2,778,539	2,666,452	112,087
Capital outlay	442,305	71,207	71,207	-
	<u>52,512,294</u>	<u>52,871,183</u>	<u>52,670,939</u>	<u>200,244</u>
Fire:				
Salaries and overtime	39,052,190	39,631,011	39,347,040	283,971
Ordinary maintenance	1,335,880	1,602,627	1,552,812	49,815
Capital outlay	143,000	781,250	693,100	88,150
	<u>40,531,070</u>	<u>42,014,888</u>	<u>41,592,952</u>	<u>421,936</u>
Inspectional services:				
Salaries and overtime	3,757,974	3,757,974	3,727,105	30,869
Ordinary maintenance	314,054	314,054	291,335	22,719
	<u>4,072,028</u>	<u>4,072,028</u>	<u>4,018,440</u>	<u>53,588</u>
Communications:				
Salaries and overtime	2,549,799	2,495,799	1,909,908	585,891
Ordinary maintenance	1,094,118	1,348,118	1,093,963	254,155
	<u>3,643,917</u>	<u>3,843,917</u>	<u>3,003,871</u>	<u>840,046</u>
 Total public safety	 <u>100,759,309</u>	 <u>102,802,016</u>	 <u>101,286,202</u>	 <u>1,515,814</u>
Health and human services:				
Public Health				
Salaries and overtime	572,640	632,640	590,319	42,321
Ordinary maintenance	74,500	74,500	74,256	244
	<u>647,140</u>	<u>707,140</u>	<u>664,575</u>	<u>42,565</u>
Health and Human Services				
Salaries	908,578	913,578	726,751	186,827
Ordinary maintenance	2,041,331	2,041,331	1,779,526	261,805
	<u>2,949,909</u>	<u>2,954,909</u>	<u>2,506,277</u>	<u>448,632</u>
Elder Affairs:				
Salaries	462,096	459,096	439,588	19,508
Ordinary maintenance	153,350	153,350	127,449	25,901
Capital outlay	-	3,000	1,622	1,378
	<u>615,446</u>	<u>615,446</u>	<u>568,659</u>	<u>46,787</u>
Workforce Development Board:				
Salaries	-	65,267	65,267	-
Ordinary maintenance	200,000	134,733	134,550	183
	<u>200,000</u>	<u>200,000</u>	<u>199,817</u>	<u>183</u>
 Total health and human services	 <u>4,412,495</u>	 <u>4,477,495</u>	 <u>3,939,328</u>	 <u>538,167</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Education:				
Public Schools, Net School Spending (excluding fringe benefits):				
Salaries and overtime	\$ 236,710,456	235,556,002	235,556,001	1
Ordinary maintenance	39,066,494	44,268,727	44,268,727	-
Capital outlay	350,000	1,117,771	1,117,771	-
	<u>276,126,950</u>	<u>280,942,500</u>	<u>280,942,499</u>	<u>1</u>
Public Schools, Non Net School Spending (excluding fringe benefits):				
Salaries and overtime	5,051,531	4,841,950	4,841,950	-
Ordinary maintenance	16,972,877	15,247,044	15,247,044	-
	<u>22,024,408</u>	<u>20,088,994</u>	<u>20,088,994</u>	<u>-</u>
Total education (excluding fringes)	<u>298,151,358</u>	<u>301,031,494</u>	<u>301,031,493</u>	<u>1</u>
Public works:				
Department of Public Works:				
Salaries and overtime	6,437,202	6,437,202	6,326,833	110,369
Ordinary maintenance	8,529,949	8,461,681	8,329,864	131,817
Capital outlay	10,000	389,714	41,422	348,292
Snow and ice removal	6,000,000	6,000,000	4,162,441	1,837,559
Street lighting	1,489,647	1,367,647	1,084,726	282,921
	<u>22,466,798</u>	<u>22,656,244</u>	<u>19,945,286</u>	<u>2,710,958</u>
Union Station (WRA):				
Ordinary maintenance	496,071	496,071	496,071	-
Total public works	<u>22,962,869</u>	<u>23,152,315</u>	<u>20,441,357</u>	<u>2,710,958</u>
Culture and recreation:				
Parks and Cemetery:				
Salaries and overtime	4,361,586	4,251,586	4,181,837	69,749
Ordinary maintenance	1,828,500	1,828,500	1,798,281	30,219
	<u>6,190,086</u>	<u>6,080,086</u>	<u>5,980,118</u>	<u>99,968</u>
Public Library:				
Salaries and overtime	4,288,554	4,288,554	4,048,047	240,507
Ordinary maintenance	1,899,658	1,914,658	1,707,182	207,476
Capital outlay	7,400	7,400	7,142	258
	<u>6,195,612</u>	<u>6,210,612</u>	<u>5,762,371</u>	<u>448,241</u>
Auditorium:				
Ordinary maintenance	90,200	122,200	117,015	5,185
Total culture and recreation	<u>12,475,898</u>	<u>12,412,898</u>	<u>11,859,504</u>	<u>553,394</u>

(Continued)



**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental:				
Health insurance - retirees	\$ 3,780	3,780	3,780	-
Regional planning	62,222	51,846	51,846	-
Regional Transit Authority	3,314,148	3,314,148	3,314,148	-
Mosquito control	167,006	167,006	167,171	(165)
Air pollution control	44,606	44,606	44,606	-
Charter Schools	26,984,854	27,613,016	27,154,480	458,536
School choice	2,977,401	2,977,401	3,207,796	(230,395)
Special education - Chapter 766	256,765	256,765	194,565	62,200
Registry parking ticket surcharge	382,940	382,940	392,960	(10,020)
Total intergovernmental	34,193,722	34,811,508	34,531,352	280,156
Debt service:				
Principal	24,719,281	24,719,280	24,719,280	-
Interest	10,898,594	10,898,594	10,539,121	359,473
Pension obligation bond:				
Municipal departments (P&I)	10,441,092	10,430,215	10,430,215	-
Enterprise funds (P&I)	1,366,927	1,377,804	1,377,804	-
Public schools (P&I)	4,828,855	4,828,856	4,828,856	-
Total debt service	52,254,749	52,254,749	51,895,276	359,473
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	29,998,584	29,998,584	29,751,387	247,197
Public Schools	13,734,707	13,754,260	13,754,260	-
Noncontributory pensions:				
Municipal departments	25,411	25,411	22,148	3,263
Public Schools	17,016	2,998	2,998	-
	43,775,718	43,781,253	43,530,793	250,460

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	\$ 1,246,826	996,826	778,457	218,369
Public Schools	458,700	714,914	714,914	-
Public safety injured on duty	738,659	838,659	768,245	70,414
Unemployment compensation:				
Municipal departments	100,000	200,000	70,937	129,063
Public Schools	411,463	910,226	910,226	-
	<u>2,955,648</u>	<u>3,660,625</u>	<u>3,242,779</u>	<u>417,846</u>
Group insurance:				
Municipal departments	26,769,946	26,810,649	25,602,698	1,207,951
Public Schools	47,325,924	48,292,581	48,292,581	-
	<u>74,095,870</u>	<u>75,103,230</u>	<u>73,895,279</u>	<u>1,207,951</u>
Total fringe benefits	<u>120,827,236</u>	<u>122,545,108</u>	<u>120,668,851</u>	<u>1,876,257</u>
Contingency	<u>1,935,000</u>	<u>293,125</u>	<u>-</u>	<u>293,125</u>
<b>Total expenditures</b>	<b><u>671,788,620</u></b>	<b><u>679,081,426</u></b>	<b><u>668,870,145</u></b>	<b><u>10,211,281</u></b>
<b>Excess of revenues over expenditures</b>	<u>10,255,861</u>	<u>10,918,739</u>	<u>20,178,304</u>	<u>9,259,565</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,566,857	3,839,765	3,850,649	10,884
Transfers out	(15,544,731)	(17,711,341)	(17,711,341)	-
<b>Total other financing sources (uses)</b>	<u>(12,977,874)</u>	<u>(13,871,576)</u>	<u>(13,860,692)</u>	<u>10,884</u>
<b>Net changes in fund balance</b>	<u>(2,722,013)</u>	<u>(2,952,837)</u>	<u>6,317,612</u>	<u>9,270,449</u>
Budgetary fund balance - beginning	46,526,553	46,526,553	46,526,553	-
Budgetary fund balance - ending	<u>\$ 43,804,540</u>	<u>43,573,716</u>	<u>52,844,165</u>	<u>9,270,449</u>

(Concluded)

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

### Pension Plan Schedules

The following schedules provide information related to the WRS as a whole, for which the City is one participating employer:

#### Schedule of Changes in Employers' Net Pension Liability and Related Ratios (WRS)\*

	2020	2019	2018	2017	2016
<u>Total pension liability</u>					
Service cost	\$ 32,665,206	\$ 33,231,538	28,844,823	27,155,573	26,309,138
Interest	103,120,036	101,742,520	98,349,284	95,556,357	92,787,477
Differences between expected and actual experience	1,669,782	(8,340,855)	(1,005,891)	(2,523,911)	(1,619,304)
Changes of assumptions	-	1,608,506	73,039,312	19,119,320	16,825,451
Benefit payments, including refunds of member contributions	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)	(75,957,945)
Net change in total pension liability	48,437,650	43,965,746	116,104,907	59,366,509	58,344,817
Total pension liability - beginning	1,506,336,758	1,462,371,012	1,346,266,105	1,286,899,596	1,228,554,779
Total pension liability - ending (a)	\$ 1,554,774,408	\$ 1,506,336,758	1,462,371,012	1,346,266,105	1,286,899,596
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 52,206,269	\$ 49,098,344	46,188,470	44,411,990	42,703,837
Contributions - member	20,740,274	19,969,060	19,327,093	17,797,519	17,409,182
Net investment income	147,174,441	(30,549,012)	134,646,815	58,737,894	(10,490,024)
Benefit payments, including refunds of member contributions	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)	(75,957,945)
Administrative expense	(658,260)	(587,936)	(583,404)	(565,669)	(572,743)
Other	(1,319,129)	(1,632,787)	(1,356,993)	(926,263)	(895,410)
Net change in plan fiduciary net position	129,126,221	(47,978,294)	115,099,360	39,514,641	(27,803,103)
Plan fiduciary net position - beginning	904,465,777	952,444,071	837,344,711	797,830,070	825,633,173
Plan fiduciary net position - ending (b)	\$ 1,033,591,998	\$ 904,465,777	952,444,071	837,344,711	797,830,070
WRS's net pension liability - ending (a) - (b)	\$ 521,182,410	\$ 601,870,981	509,926,941	508,921,394	489,069,526
Plan fiduciary net position as a percentage of the total pension liability	66.48%	60.04%	65.13%	62.20%	62.00%
Covered payroll	\$ 196,970,554	\$ 192,957,155	182,832,183	175,910,160	173,759,691
Net pension liability as a percentage of covered payroll	264.60%	311.92%	278.90%	289.31%	281.46%
	2015				
<u>Total pension liability</u>					
Service cost	\$ 24,977,553				
Interest	89,852,374				
Differences between expected and actual experience	(901,542)				
Changes of assumptions	16,436,189				
Benefit payments, including refunds of member contributions	(72,435,430)				
Net change in total pension liability	57,929,144				
Total pension liability - beginning	1,170,625,635				
Total pension liability - ending (a)	\$ 1,228,554,779				
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 41,200,578				
Contributions - member	16,320,772				
Net investment income	34,950,210				
Benefit payments, including refunds of member contributions	(72,435,430)				
Administrative expense	(587,157)				
Other	(806,081)				
Net change in plan fiduciary net position	18,642,892				
Plan fiduciary net position - beginning	806,990,281				
Plan fiduciary net position - ending (b)	\$ 825,633,173				
WRS's net pension liability - ending (a) - (b)	\$ 402,921,606				
Plan fiduciary net position as a percentage of the total pension liability	67.20%				
Covered payroll	\$ 168,856,039				
Net pension liability as a percentage of covered payroll	238.62%				

\*Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2020

**Schedule of Employer Contributions (WRS)  
Last Ten Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 52,206,269	49,098,344	46,188,470	44,411,990	42,703,837
Contributions in relation to the statutorily determined contribution	<u>52,206,269</u>	<u>49,098,344</u>	<u>46,188,470</u>	<u>44,411,990</u>	<u>42,703,837</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 196,970,554	192,957,155	182,832,183	175,910,160	173,759,691
Contributions as a percentage of covered payroll	26.50%	25.45%	25.26%	25.25%	24.58%
					(continued)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 41,200,578	38,148,683	35,409,140	32,706,347	29,770,499
Contributions in relation to the statutorily determined contribution	<u>41,200,578</u>	<u>38,148,683</u>	<u>35,409,140</u>	<u>32,706,347</u>	<u>30,196,904</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>
Covered payroll	\$ 168,856,039	166,094,906	159,669,859	157,720,871	166,392,075
Contributions as a percentage of covered payroll	24.40%	22.97%	22.18%	20.74%	18.15%
					(concluded)

**Schedule of Investment Returns (WRS) \***

	<u>2020 **</u>	<u>2019 **</u>	<u>2018 **</u>	<u>2017 **</u>	<u>2016 **</u>	<u>2015 **</u>
Annual money-weighted rate of return, net of investment expense	16.11%	-3.00%	16.54%	7.87%	-1.46%	4.96%

\*Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\* The amounts presented were determined as of December 31, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

The following schedules provide information on the City's portion of the WRS:

### Schedule of City's Proportionate Share of the Net Pension Liability (WRS) \*

	2020**	2019**	2018**	2017**	2016**
City's proportion of the net pension liability	92.288158%	92.623763%	91.951084%	91.768757%	92.066769%
City's proportionate share of the net pension liability	\$ 480,989,646	557,475,552	468,883,350	467,030,837	450,270,511
City's covered payroll	181,780,496	178,724,179	168,116,175	161,430,567	159,974,933
City's proportionate share of the net pension liability as a percentage of its covered payroll	264.60%	311.92%	278.90%	289.31%	281.46%
Plan fiduciary net position as a percentage of the total pension liability	66.48%	60.04%	65.13%	62.20%	62.00%
	<u>2015**</u>				
City's proportion of the net pension liability	92.730893%				
City's proportionate share of the net pension liability	\$ 373,632,802				
City's covered payroll	156,581,713				
City's proportionate share of the net pension liability as a percentage of its covered payroll	238.62%				
Plan fiduciary net position as a percentage of the total pension liability	67.20%				

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\* The amounts presented were determined as of December 31, 2019 and 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

### Schedule of City's Contributions (WRS) Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 48,180,204	45,476,734	42,470,799	40,756,331	39,316,043
Contributions in relation to the statutorily determined contribution	<u>48,180,204</u>	<u>45,476,734</u>	<u>42,470,799</u>	<u>40,756,331</u>	<u>39,316,043</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 184,218,332	180,944,440	170,204,654	163,435,992	162,356,825
Contributions as a percentage of covered payroll	26.15%	25.13%	24.95%	24.94%	24.22%
					(continued)
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 38,205,664	35,084,000	32,246,000	29,720,000	27,277,000
Contributions in relation to the statutorily determined contribution	<u>38,205,664</u>	<u>35,084,000</u>	<u>32,246,000</u>	<u>29,720,000</u>	<u>27,703,405</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>
Covered payroll	\$ 158,913,083	154,576,739	148,503,011	146,154,424	154,074,255
Contributions as a percentage of covered payroll	24.04%	22.70%	21.71%	20.33%	17.98%
					(concluded)

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

The following schedules provide information on the City's association with the MTRS:

### Schedule of City's Proportionate Share of the Net Pension Liability (MTRS) \*

	2020**	2019**	2018**	2017**	2016**
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	-	-	-	-
Commonwealth's proportionate share of the net pension liability associated with the City	663,622,575	626,837,968	602,552,506	599,739,073	550,242,570
Total	\$ 663,622,575	626,837,968	602,552,506	599,739,073	550,242,570
City's covered payroll	\$ 205,734,272	194,659,324	188,012,690	178,781,000	176,442,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	53.95%	54.25%	52.73%	55.38%	61.64%
	2015**				
City's proportion of the net pension liability	0.00%				
City's proportionate share of the net pension liability	\$ -				
Commonwealth's proportionate share of the net pension liability associated with the City	435,996,868				
Total	\$ 435,996,868				
City's covered payroll	\$ 172,700,000				
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	54.84%	54.25%	52.73%	55.38%	61.64%

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\*The amounts presented were determined as of June 30, 2019, 2018, 2017, 2016, 2015 and 2014.

### Schedule of City's Contributions (MTRS) \*

	2020**	2019**	2018**	2017**	2016**
Contractually required contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	-	-	-	-
City's covered payroll	\$ 205,734,272	194,659,324	188,012,690	178,781,000	176,442,000
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	2015**				
Contractually required contribution	\$ -				
Contributions in relation to the contractually required contribution	-				
Contribution deficiency (excess)	\$ -				
City's covered payroll	\$ 172,700,000				
Contributions as a percentage of covered payroll	N/A				

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\*The amounts presented were determined as of June 30, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

The following schedules provide information related to the Upper Blackstone Water Pollution Abatement District (District):

### Schedule of District's Proportionate Share of the Net Pension Liability\*

	2020**	2019**	2018**	2017**	2016**
District's proportion of the net pension liability	0.06515%	0.06271%	0.06445%	0.06517%	0.06237%
District's proportionate share of the net pension liability	\$ 9,534,432	8,296,794	8,265,187	8,986,634	7,099,775
District's covered payroll	3,781,000	3,676,509	3,678,070	3,630,096	3,413,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	252.2%	225.6%	224.7%	247.6%	208.0%
Plan fiduciary net position as a percentage of the total pension liability	66.3%	67.9%	67.2%	63.5%	67.9%
	2015**				
District's proportion of the net pension liability	0.06291%				
District's proportionate share of the net pension liability	\$ 4,670,154				
District's covered payroll	3,245,825				
District's proportionate share of the net pension liability as a percentage of its covered payroll	143.9%				
Plan fiduciary net position as a percentage of the total pension liability	76.3%				

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\*The amounts presented were determined as of June 30, 2019, 2018, 2017, 2016, 2015 and 2014.

### Schedule of District's Contributions\*

	2020**	2019**	2018**	2017**	2016**
Contractually required contribution	\$ 431,000	419,122	419,300	413,831	389,158
Contributions in relation to the contractually required contribution	431,000	419,122	419,300	413,831	389,158
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 3,781,000	3,676,509	3,678,070	3,630,096	3,413,667
Contributions as a percentage of covered payroll	11.40%	11.40%	11.40%	11.40%	11.40%
	2015**				
Contractually required contribution	\$ 370,024				
Contributions in relation to the contractually required contribution	370,024				
Contribution deficiency (excess)	\$ -				
District's covered payroll	\$ 3,245,825				
Contributions as a percentage of covered payroll	11.40%				

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

\*\*The amounts presented were determined as of June 30, 2019, 2018, 2017, 2016, 2015 and 2014.



# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

### OPEB Schedules (City)

The following schedule provides information related to the City's OPEB plan:

#### Schedules of Changes in the Net OPEB Liability and Related Ratios\*

	2020	2019	2018
<b>Total OPEB liability</b>			
Changes for the year:			
Service cost	\$ 38,503,704	32,551,711	31,603,603
Interest	29,572,938	25,793,294	28,218,425
Differences between expected and actual experience	78,078,974	8,668,944	6,664,810
Changes in assumptions/inputs	6,683,323	71,307,434	-
Benefit payments	(24,647,288)	(22,388,653)	(23,376,480)
Net changes	128,191,651	115,932,730	43,110,358
Total OPEB liability, beginning of the fiscal year	918,642,242	802,709,512	759,599,154
Total OPEB liability, end of the fiscal year (a)	\$ 1,046,833,893	918,642,242	802,709,512
 <b>Plan Fiduciary Net Position (District)</b>			
Contributions - employer	\$ 19,826,603	-	-
Contributions for benefit payments	24,647,288	-	-
Investment income, net	679,021	-	-
Benefit payments	(24,647,288)	-	-
Net change in plan fiduciary net position	20,505,624	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	20,505,624	-	-
Net OPEB Liability (a) - (b)	\$ 1,026,328,269	918,642,242	802,709,512
 Total OPEB liability	\$ 1,046,833,893	918,642,242	802,709,512
Plan fiduciary net position	20,505,624	-	-
Net OPEB liability	\$ 1,026,328,269	918,642,242	802,709,512
 Covered payroll	\$ 384,459,031	360,955,133	350,441,877
 Net OPEB Liability as a percentage of covered payroll	267.0%	254.5%	229.1%
 Discount Rate	2.45%	3.13%	3.62%

#### Notes to Schedule:

Changes in benefit terms:

None

Changes in assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The summary of the key assumptions is included in footnote 8 to the financial statements.

\* Data is presented for the years in which applicable data is available. This table will ultimately contain 10 years of data in the future.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2020

### OPEB Schedules (District)

The following schedule provides information related to the District's OPEB plan:

#### Schedules of Changes in Net OPEB Liability and Related Ratios

	2020	2019	2018
<b>Total OPEB liability (District)</b>			
Changes for the year:			
Service cost	\$ 125,708	120,295	223,862
Interest	358,236	186,053	193,683
Differences between expected and actual experience	-	1,939,148	(1,209,396)
Changes in assumptions/inputs	-	294,271	(1,982,462)
Benefit payments	(243,924)	(99,094)	(81,305)
Net changes in total OPEB liability	240,020	2,440,673	(2,855,618)
Total OPEB Liability, beginning of the fiscal year	4,935,308	2,494,635	5,350,253
Total OPEB Liability, end of the fiscal year (a)	\$ 5,175,328	4,935,308	2,494,635
<b>Plan Fiduciary Net Position (District)</b>			
Contributions - employer	\$ 419,678	626,536	1,668,078
Investment income, net	40,451	28,116	-
Benefit payments	(229,468)	(99,094)	(81,305)
Net change in plan fiduciary net position	230,661	555,558	1,586,773
Plan fiduciary net position - beginning	2,142,331	1,586,773	-
Plan fiduciary net position - ending (b)	2,372,992	2,142,331	1,586,773
District's Net OPEB Liability (a) - (b)	\$ 2,802,336	2,792,977	907,862
Total OPEB liability	\$ 5,175,328	4,935,308	2,494,635
Plan fiduciary net position	2,372,992	2,142,331	1,586,773
Net OPEB liability	\$ 2,802,336	2,792,977	907,862
Covered payroll	\$ 4,274,000	4,129,154	3,707,317
Net OPEB Liability as a percentage of covered payroll	65.6%	67.6%	24.5%
Weighted average investment return	1.87%	1.72%	0.00%
Discount Rate	7.25%	7.25%	7.25%

#### Notes to Schedule:

Changes in benefit terms:

None

Changes in assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The summary of the key assumptions is included in footnote 9 to the financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2020

#### Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for all general fund functions as well as for those enterprise funds for which the provisions of Chapter 44, Section 53F 1/2 have been adopted.

All portions of the annual budget, except for that of public schools, are prepared under the direction of the City Manager. The School Department budget is prepared under the direction of the Superintendent. The budget must be approved by the City Council, which may reduce or reject any item in the budget but may not increase or add items without the recommendation of the City Manager. The level of expenditure may not legally exceed appropriations for each department or undertaking in the categories of salaries and wages, ordinary maintenance and capital outlays. Once adopted, budgets within the above categories may not be amended by management without seeking City Council approval.

In fiscal 2020, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$6,675. In fiscal 2020, revenues and other financial sources were less than estimates by \$941 and expenditures were less than budgetary estimates by \$10,211.

The City's annual budget is prepared on a basis other than GAAP. The "actual" results columns of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison with the budgets. The following reconciliation summarizes the differences between budgetary and GAAP-basis accounting principles for the year ended June 30, 2020:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
General fund:				
As reported on a budgetary basis	\$ 689,048	668,870	(13,860)	6,318
Capital leases	-	6,045	6,045	-
COLA on-behalf payments	860	860	-	-
OPEB contributions reported as fringe benefit	-	19,826	2,396	(17,430)
Adjustment of revenues to a modified basis	<u>(1,063)</u>	<u>-</u>	<u>-</u>	<u>(1,063)</u>
As reported on a GAAP basis	<u>\$ 688,845</u>	<u>695,601</u>	<u>(5,419)</u>	<u>(12,175)</u>

The major differences between the budgetary basis and the GAAP basis are revenues recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP); claims and certain other expenditures are recorded as expenditures when paid (budgetary), as opposed to a liability when incurred (GAAP); and COLA on-behalf payments are recorded on a GAAP basis only.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2020

#### Changes of Assumptions (WRS)

The investment return assumption was lowered from 8.25% to 8.00% as of January 1, 2011. As of January 1, 2013, it was lowered to 7.75%. As of January 1, 2015 it was lowered to 7.625%. As of January 1, 2016 it was lowered to 7.5%. As of January 1, 2017 it was lowered to 7.375%. As of January 1, 2018 it was lowered to 7.0%. As of January 1, 2019 it was lowered to 6.9%.

The salary increase assumption was lowered as of January 1, 2011 from 5.00% to 4.75%. As of January 1, 2013, it was lowered to 4.5%. As of January 1, 2014, a select and ultimate assumption of 3.5% for 2014 and 2015 and 4.5% thereafter was used. As of January 1, 2015, a select and ultimate assumption of 3.5% for 2015 and 2016 and 4.5% thereafter was used. As of January 1, 2016, a select and ultimate assumption of 3.5% for 2016 and 2018 and 4.5% thereafter was used. As of January 1, 2018, a select and ultimate assumption of 3.5% for 2019 and 2019 and 4.5% thereafter was used. As of January 1, 2019, it was lowered to 4.00%.

As of January 1, 2009, the actuarial value of assets was changed from market value of assets to a five-year smoothing method. As of January 1, 2010, the actuarial value of assets was changed from being within 20% of the market value of assets to being within 10% of the market value of assets.

The mortality assumption for healthy participants was changed from the 1994 Group Annuity Mortality Table to the RP-2000 Combined Healthy Mortality Table projected 12 years using Scale AA as of January 1, 2012. As of January 1, 2013, the pre-retirement mortality assumption was changed to the RP-2000 Employee Mortality Table projected 20 years using Scale AA. As of January 1, 2014, the pre-retirement mortality assumption was changed to the RP-2000 Employee Mortality Table projected generationally using Scale AA. As of January 1, 2016, the pre-retirement mortality assumption was changed to the RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009. As of January 1, 2018, the pre-retirement mortality assumption was changed to the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.

The mortality assumption for healthy retirees was changed from the RP-2000 Combined Healthy Mortality Table projected 12 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 15 years using Scale AA as of January 1, 2013. As of January 1, 2014, the mortality assumption for non-disabled retirees was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA. As of January 1, 2016, the mortality assumption for non-disabled retirees was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009. As of January 1, 2018, the mortality assumption for non-disabled retirees was changed to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.

The mortality assumption for disabled participants was changed from the 1994 Group Annuity Mortality Table set forward 10 years to the 1994 Group Annuity Mortality Table set forward 7 years, as of January 1, 2010. As of January 1, 2011, the table was changed to the 1994 Group Annuity Mortality Table set forward 5 years. As of January 1, 2012, the assumption was changed to the RP-2000 Combined Healthy Mortality Table set forward 5 years projected 12 years using Scale AA. As of January 1, 2013, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected 5 years using Scale AA with a 3-year set forward for males. As of January 1, 2014, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA from 2010 with a 3-year set forward for males. As of January 1, 2015, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA with a 3-year set forward for males. As of January 1, 2016, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 with a 3-year set

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2020

forward for males. As of January 1, 2018, the assumption was changed to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

#### Methods and Assumptions Used in Calculations of Statutorily Determined Contributions (WRS)

The statutorily determined contribution rates in the schedule of employer contributions (WRS) are calculated by an actuarial valuation as of January 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method (2010-2019):	Entry Age Normal
Amortization method (2010 - 2014):	Appropriation increases 4.00% per year.
Amortization method (2015):	Appropriation increases 5.85% per year.
Amortization method (2016):	Appropriation increases 4.00% in 2019 and 6.30% thereafter.
Amortization method (2018):	Appropriation increases 6.3% in 2019 and 6.33% thereafter with a 5.97% increase in 2034.
Amortization method (2019):	Appropriation increases 6.33% in 2020 and thereafter with a 12.0% decrease in 2034.
Amortization method (2020):	Appropriation increases 6.33% in 2021 and thereafter with a 10.3% increase in 2034.
Remaining amortization period (2010):	24 years
Remaining amortization period (2011):	23 years
Remaining amortization period (2012):	19 years
Remaining amortization period (2013, 2015):	17 years
Remaining amortization period (2014):	18 years
Remaining amortization period (2016, 2018):	16 years
Remaining amortization period (2019):	15 years
Remaining amortization period (2020):	14 years
Asset valuation method (2010-2020):	5-year smoothed fair value
Inflation (2010-2011):	3.75%
Inflation (2012):	3.50%
Inflation (2013-2014):	3.00% for the next 2 years; 4.00% thereafter
Inflation (2015-2018):	2.50% for the next year; 3.50% thereafter
Inflation (2019-2020):	3.00%
Salary increases (2009):	5.00%
Salary increases (2010-2011):	4.75%
Salary increases (2012):	4.50%
Salary increases (2013 – 2015, 2018):	3.50% for the next two years; 4.50% thereafter
Salary increases (2016):	3.50% for the next year; 4.50% thereafter
Salary increases (2019-2020):	4.00%
Investment rate of return (2010-2011):	8.00%
Investment rate of return (2012-2013):	7.75%

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to Required Supplementary Information**

June 30, 2020

Investment rate of return (2014):	7.625%
Investment rate of return (2015):	7.50%
Investment rate of return (2016):	7.375%
Investment rate of return (2018):	7.0%
Investment rate of return (2019-2020):	6.9%

#### **Other Postemployment Benefits (OPEB) – (City)**

The plan is funded on a pay-as-you-go basis and the city has made additional contributions to prefund other postemployment benefits. Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

See Notes to the Financial Statements for summary of significant actuarial methods and assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The City changed the discount rate to 2.45% for fiscal year 2020 from a discount rate of 3.13% that was used in fiscal 2019. The City changed the schedule of claim cost trends to 6.0% for fiscal 2021 and then declining over fifty-five years to 4.0%. The claim cost trend schedule in fiscal 2018 assumed health care trends of 6.0% for twenty-five years and then declining over the next thirty years from 5.9% to 4.6%.

#### **Other Postemployment Benefits (OPEB) – (District)**

See Notes to the Financial Statements for summary of significant actuarial methods and assumptions.

## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2020

***Nonmajor Governmental Funds*** - A combining balance sheet and combining statement of revenues, expenditures and changes in fund balances is provided for other (nonmajor) governmental funds.

#### **Special Revenue**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

**DCU Center Operations**— accounts for the operations of the City’s civic center and arena.

**School Lunch** – accounts for the operations of the public school lunch program.

**Police Auxiliary** – accounts for police off-duty details.

**Off-Street Parking** – accounts for the operation of the City’s parking garages, on-street meters and off-street parking lots.

**City Revolving** – accounts for City activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

**School Grants** – accounts for school programs funded by grants.

**School Revolving** – accounts for school activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

**Receipts Reserved** – accounts for revenues reserved for appropriation that have been segregated by law or administrative action.

**Community Development** – accounts for grants received from the U.S. Department of Housing and Urban Development and program related income.

**MassHire Central Region Workforce** – accounts for revenue received from the U.S. Department of Labor to assist individuals to become productive members of the labor force.

**City Grants** – accounts for various grants received from the federal and state governments for programs administered by City departments.

#### **Capital Projects**

Capital projects funds are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**DCU Center Construction**— accounts for the construction and improvement of the DCU Center.

**Street and Sidewalk** – accounts for the construction and improvement of streets and sidewalks.

**Capital Equipment** – accounts for the acquisition of equipment.

**Parks Improvements** – accounts for grants and bond proceeds used for parks improvements.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Supplementary Statements and Schedules**

June 30, 2020

**Baseball Stadium** – accounts for financial resources used for the construction of the minor league baseball stadium.

**Ballpark District Improvements & Garage** – accounts for financial resources used for the construction of a new garage and streetscape improvements to the baseball district improvement area.

**CitySquare Construction** – The CitySquare fund was established to account for the City’s share of the financial resources including state and federal grants and the proceeds from the issuance of bonds used for the construction of the CitySquare project.

**Other** – accounts for various small construction projects.

### **Permanent Funds**

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government’s programs and benefit the government or its citizenry.

**Hope Cemetery** – accounts for funds used for the perpetual care of the municipal cemetery.

**Health Department** – accounts for funds used for public health purposes.

**Libraries** – accounts for funds held in trust for the City’s public libraries.

**Schools** – accounts for funds held in trust to provide scholarships for qualified students.

**Parks** – accounts for funds held in trust to improve the City’s parks.

**Police** – accounts for funds held in trust to beautify the landscape at the police headquarters building.

**Public Works** – accounts for funds held in trust to provide street lighting.

**Memorial** – accounts for funds held in trust to maintain various monuments and fountains.

**Welfare** – accounts for expenditures from welfare type trusts.



## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2020

***Enterprise Funds*** - Separate schedules of revenues, expenditures and changes in fund balance – budget and actual – budgetary basis are provided for the golf course (nonmajor), sewer and water enterprise funds. The “actual” results columns of the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a “budgetary basis” to provide a meaningful comparison with the budgets. Actual amounts can vary from GAAP amounts.

***Capital Assets*** - Two separate schedules are provided for capital assets used in the operation of governmental activities.

***Agency Funds*** - The agency fund is a fiduciary fund used to account for assets held in a custodial capacity.

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**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

<b>Special Revenue Funds</b>					
	<b>DCU Center Operations</b>	<b>School Lunch</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	3,070,481	6,722,870	-	1,687,816	7,466,012
Restricted investments	-	-	-	-	-
Receivables, net	-	-	1,332,099	-	140,958
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,070,481</b>	<b>6,722,870</b>	<b>1,332,099</b>	<b>1,687,816</b>	<b>7,606,970</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	82,918	259,138	-	13,318
Due to general fund	-	-	439,217	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	2,067,300	-	-	-	-
<b>Total liabilities</b>	<b>2,067,300</b>	<b>82,918</b>	<b>698,355</b>	<b>-</b>	<b>13,318</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	1,332,099	-	140,958
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,332,099</b>	<b>-</b>	<b>140,958</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	1,003,181	6,639,952	-	1,687,816	7,452,694
Committed	-	-	-	-	-
Unassigned	-	-	(698,355)	-	-
<b>Total fund balances</b>	<b>1,003,181</b>	<b>6,639,952</b>	<b>(698,355)</b>	<b>1,687,816</b>	<b>7,452,694</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,070,481</b>	<b>6,722,870</b>	<b>1,332,099</b>	<b>1,687,816</b>	<b>7,606,970</b>

Special Revenue Funds						
School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	City Grants	Subtotal
-	-	25,758,278	-	-	-	25,758,278
1,215,033	4,008,601	-	160,601	1,894,585	12,471,679	38,697,678
-	-	-	-	-	-	-
-	-	1,532,582	-	-	-	3,005,639
4,067,794	-	-	32,271	64,060	1,069,425	5,233,550
5,282,827	4,008,601	27,290,860	192,872	1,958,645	13,541,104	72,695,145
108,144	450	-	147,939	76,166	415,567	1,103,640
-	-	-	-	-	-	439,217
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,067,300
108,144	450	-	147,939	76,166	415,567	3,610,157
-	-	1,532,582	-	-	-	3,005,639
-	-	1,532,582	-	-	-	3,005,639
-	-	-	-	-	-	-
5,174,683	4,008,151	-	44,933	1,882,479	13,125,537	41,019,426
-	-	25,758,278	-	-	-	25,758,278
-	-	-	-	-	-	(698,355)
5,174,683	4,008,151	25,758,278	44,933	1,882,479	13,125,537	66,079,349
5,282,827	4,008,601	27,290,860	192,872	1,958,645	13,541,104	72,695,145

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	<b>Capital Projects Funds</b>			
	<b>DCU Center Construction</b>	<b>Street and Sidewalk</b>	<b>Capital Equipment</b>	<b>Parks Improvements</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	730,459	10,824,963	1,641,903	5,410,383
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	-	9,624	-	-
<b>Total assets</b>	\$ <u>730,459</u>	<u>10,834,587</u>	<u>1,641,903</u>	<u>5,410,383</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	728,883	73,507	1,448,156
Due to general fund	-	-	-	-
Retainage payable	-	104,871	-	286,100
Temporary loans	634,321	15,650,940	2,082,330	5,575,000
Other liabilities	-	-	-	-
<b>Total liabilities</b>	<u>634,321</u>	<u>16,484,694</u>	<u>2,155,837</u>	<u>7,309,256</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue-other	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	96,138	-	-	-
Committed	-	-	-	-
Unassigned	-	(5,650,107)	(513,934)	(1,898,873)
<b>Total fund balances</b>	<u>96,138</u>	<u>(5,650,107)</u>	<u>(513,934)</u>	<u>(1,898,873)</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ <u>730,459</u>	<u>10,834,587</u>	<u>1,641,903</u>	<u>5,410,383</u>

Capital Projects Funds				
Baseball Stadium	Ballpark District Improvements & Garage	CitySquare Construction	Other	Subtotal
-	-	-	-	-
13,661,967	-	547,417	1,849,213	34,666,305
-	-	-	-	-
-	-	-	-	-
-	637,416	-	-	647,040
<u>13,661,967</u>	<u>637,416</u>	<u>547,417</u>	<u>1,849,213</u>	<u>35,313,345</u>
-	-	-	45,862	2,296,408
-	637,416	-	-	637,416
-	-	-	-	390,971
19,832,142	-	-	2,726,100	46,500,833
-	-	-	-	-
<u>19,832,142</u>	<u>637,416</u>	<u>-</u>	<u>2,771,962</u>	<u>49,825,628</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	547,417	-	643,555
-	-	-	-	-
(6,170,175)	-	-	(922,749)	(15,155,838)
<u>(6,170,175)</u>	<u>-</u>	<u>547,417</u>	<u>(922,749)</u>	<u>(14,512,283)</u>
<u>13,661,967</u>	<u>637,416</u>	<u>547,417</u>	<u>1,849,213</u>	<u>35,313,345</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Libraries</b>	<b>Schools</b>	<b>Parks</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	-	25,234	40,220	17,092	1,180
Restricted investments	4,952,433	3,543,830	10,962,313	883,786	592,200
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	\$ <u>4,952,433</u>	<u>3,569,064</u>	<u>11,002,533</u>	<u>900,878</u>	<u>593,380</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	-	-	-	-
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable	4,157,133	2,739,907	7,264,218	607,791	398,588
Restricted	795,300	829,157	3,738,315	293,087	194,792
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<u>4,952,433</u>	<u>3,569,064</u>	<u>11,002,533</u>	<u>900,878</u>	<u>593,380</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ <u>4,952,433</u>	<u>3,569,064</u>	<u>11,002,533</u>	<u>900,878</u>	<u>593,380</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	25,758,278
-	1,210	105,049	1,283	191,268	73,555,251
12,056	434,592	370,202	6,062	21,757,474	21,757,474
-	-	-	-	-	3,005,639
-	-	-	-	-	5,880,590
12,056	435,802	475,251	7,345	21,948,742	129,957,232
-	-	-	-	-	3,400,048
-	-	-	-	-	1,076,633
-	-	-	-	-	390,971
-	-	-	-	-	46,500,833
-	-	-	-	-	2,067,300
-	-	-	-	-	53,435,785
-	-	-	-	-	3,005,639
-	-	-	-	-	3,005,639
3,933	349,638	192,145	3,617	15,716,970	15,716,970
8,123	86,164	283,106	3,728	6,231,772	47,894,753
-	-	-	-	-	25,758,278
-	-	-	-	-	(15,854,193)
12,056	435,802	475,251	7,345	21,948,742	73,515,808
12,056	435,802	475,251	7,345	21,948,742	129,957,232

(Concluded)



**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2020

	<b>Special Revenue Funds</b>				
	<b>DCU Center Operations</b>	<b>School Lunch</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	14,839,717	-	-	65,000
Investment earnings	-	-	-	-	-
Charges for services	1,076,971	16,725	11,645,375	18,684	2,105,228
Donations	1,000,000	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Energy sales and rebates	-	-	-	-	1,045,519
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>2,076,971</b>	<b>14,856,442</b>	<b>11,645,375</b>	<b>18,684</b>	<b>3,215,747</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	149,475
Public safety	-	-	11,767,501	-	703,250
Health and human services	-	-	-	-	370,532
Education	-	10,962,994	-	-	-
Public works	-	-	-	2,765,281	156,117
Culture and recreation	1,191,136	-	-	-	-
Community development	-	-	-	-	967,116
Debt service:					
Principal	322,531	-	-	649,497	864,229
Interest	58,759	-	-	604,006	-
<b>Total expenditures</b>	<b>1,572,426</b>	<b>10,962,994</b>	<b>11,767,501</b>	<b>4,018,784</b>	<b>3,210,719</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>504,545</b>	<b>3,893,448</b>	<b>(122,126)</b>	<b>(4,000,100)</b>	<b>5,028</b>
<b>Other financing sources (uses):</b>					
Transfers in	43,148	-	-	4,261,990	-
Transfers out	-	-	-	-	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>43,148</b>	<b>-</b>	<b>-</b>	<b>4,261,990</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>547,693</b>	<b>3,893,448</b>	<b>(122,126)</b>	<b>261,890</b>	<b>5,028</b>
Fund balances – beginning	455,488	2,746,504	(576,229)	1,425,926	7,447,666
Fund balances – ending	\$ 1,003,181	6,639,952	(698,355)	1,687,816	7,452,694

## Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	City Grants	Subtotal
39,681,024	669,967	-	5,905,018	4,574,636	18,764,011	84,499,373
-	-	-	-	-	-	-
659,814	1,316,360	8,054,687	29,254	146,740	164,308	25,234,146
281,652	-	-	-	12,000	2,142,023	3,435,675
-	-	-	-	-	-	-
-	-	-	-	-	-	1,045,519
-	-	188,672	-	-	-	188,672
40,622,490	1,986,327	8,243,359	5,934,272	4,733,376	21,070,342	114,403,385
-	-	-	-	-	2,846,056	2,995,531
-	-	-	-	-	4,842,777	17,313,528
-	-	-	-	4,539,933	3,849,309	8,759,774
41,615,571	1,566,381	-	-	-	-	54,144,946
-	-	-	-	-	211,950	3,133,348
-	-	-	-	-	2,047,736	3,238,872
-	-	-	5,840,973	-	3,416,846	10,224,935
-	-	-	88,000	-	232,000	2,156,257
-	-	-	45,535	-	68,776	777,076
41,615,571	1,566,381	-	5,974,508	4,539,933	17,515,450	102,744,267
(993,081)	419,946	8,243,359	(40,236)	193,443	3,554,892	11,659,118
301,957	-	-	-	-	1,237,115	5,844,210
-	-	(7,975,630)	-	-	-	(7,975,630)
-	-	669,083	-	-	-	669,083
-	-	-	-	-	-	-
301,957	-	(7,306,547)	-	-	1,237,115	(1,462,337)
(691,124)	419,946	936,812	(40,236)	193,443	4,792,007	10,196,781
5,865,807	3,588,205	24,821,466	85,169	1,689,036	8,333,530	55,882,568
5,174,683	4,008,151	25,758,278	44,933	1,882,479	13,125,537	66,079,349

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2020

	<b>Capital Projects Funds</b>			
	<b>DCU Center Construction</b>	<b>Street and Sidewalk</b>	<b>Capital Equipment</b>	<b>Parks Improvements</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	4,156,626	-	729,834
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	-	-	-	71,538
Contributions to permanent fund	-	-	-	-
Energy sales and rebates	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	-	4,156,626	-	801,372
<b>Expenditures:</b>				
Current:				
General government	-	-	776,523	-
Public safety	-	-	413,654	-
Health and human services	-	-	19,409	-
Education	-	-	442,473	-
Public works	-	16,055,294	1,058,211	-
Culture and recreation	757,215	-	741,734	8,997,885
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	757,215	16,055,294	3,452,004	8,997,885
<b>Excess (deficiency) of revenues over expenditures</b>	(757,215)	(11,898,668)	(3,452,004)	(8,196,513)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	698,555	500,452
Transfers out	(93,147)	(702,391)	-	-
Premium on issuance of bonds and notes	165,247	142,511	302,977	-
Issuance of bonds	1,679,328	13,006,723	4,103,941	8,241,564
<b>Total other financing sources (uses)</b>	1,751,428	12,446,843	5,105,473	8,742,016
<b>Net change in fund balances</b>	994,213	548,175	1,653,469	545,503
Fund balances – beginning	(898,075)	(6,198,282)	(2,167,403)	(2,444,376)
Fund balances – ending	\$ 96,138	(5,650,107)	(513,934)	(1,898,873)

## Capital Projects Funds

Baseball Stadium	Ballpark District Improvements & Garage	CitySquare Construction	Other	Subtotal
-	9,083,998	-	-	13,970,458
204,597	-	-	-	204,597
-	-	-	-	-
-	-	-	-	71,538
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
204,597	9,083,998	-	-	14,246,593
-	-	-	-	776,523
-	-	-	-	413,654
-	-	-	-	19,409
-	-	-	-	442,473
39,709,373	9,083,998	16,169	2,992,243	68,915,288
-	-	-	21,000	10,517,834
-	-	-	111,179	111,179
-	-	-	-	-
1,532,616	-	60,306	-	1,592,922
41,241,989	9,083,998	76,475	3,124,422	82,789,282
(41,037,392)	-	(76,475)	(3,124,422)	(68,542,689)
-	-	197	-	1,199,204
-	-	-	(22,017)	(817,555)
555,017	-	1	-	1,165,753
17,695,000	-	25,721	1,505,000	46,257,277
18,250,017	-	25,919	1,482,983	47,804,679
(22,787,375)	-	(50,556)	(1,641,439)	(20,738,010)
16,617,200	-	597,973	718,690	6,225,727
(6,170,175)	-	547,417	(922,749)	(14,512,283)

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2020

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Library</b>	<b>Schools</b>	<b>Parks</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	(76,293)	(55,075)	264,581	(13,829)	(9,208)
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	158,003	-	83,993	1,776	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>81,710</u>	<u>(55,075)</u>	<u>348,574</u>	<u>(12,053)</u>	<u>(9,208)</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	500	-	-	-
Education	-	-	-	2,500	-
Public works	-	-	-	-	-
Culture and recreation	-	-	90,030	-	-
Community development	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>500</u>	<u>90,030</u>	<u>2,500</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>81,710</u>	<u>(55,575)</u>	<u>258,544</u>	<u>(14,553)</u>	<u>(9,208)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	500	78,000	-	-
Transfers out	(59,589)	(500)	(78,000)	-	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(59,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	22,121	(55,575)	258,544	(14,553)	(9,208)
Fund balances – beginning	4,930,312	3,624,639	10,743,989	915,431	602,588
Fund balances – ending	\$ <u>4,952,433</u>	<u>3,569,064</u>	<u>11,002,533</u>	<u>900,878</u>	<u>593,380</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	98,469,831
(188)	(6,757)	(5,755)	(68)	97,408	302,005
-	-	-	-	-	25,234,146
-	-	-	-	-	3,507,213
-	-	-	-	243,772	243,772
-	-	-	-	-	1,045,519
-	-	-	-	-	188,672
(188)	(6,757)	(5,755)	(68)	341,180	128,991,158
-	-	-	-	-	3,772,054
-	-	-	-	-	17,727,182
-	-	-	500	1,000	8,780,183
-	-	-	-	2,500	54,589,919
-	8,155	-	-	8,155	72,056,791
-	-	-	-	90,030	13,846,736
-	-	-	-	-	10,336,114
-	-	-	-	-	2,156,257
-	-	-	-	-	2,369,998
-	8,155	-	500	101,685	185,635,234
(188)	(14,912)	(5,755)	(568)	239,495	(56,644,076)
-	-	-	500	79,000	7,122,414
-	-	-	(500)	(138,589)	(8,931,774)
-	-	-	-	-	1,834,836
-	-	-	-	-	46,257,277
-	-	-	-	(59,589)	46,282,753
(188)	(14,912)	(5,755)	(568)	179,906	(10,361,323)
12,244	450,714	481,006	7,913	21,768,836	83,877,131
12,056	435,802	475,251	7,345	21,948,742	73,515,808

(Concluded)

## CITY OF WORCESTER, MASSACHUSETTS

Golf Course Enterprise Fund (nonmajor)

Schedule of Revenues, Expenditures and

Changes in Fund Balance –

Budget and Actual – Budgetary Basis

For the Fiscal Year Ended June 30, 2020

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
Revenues:				
Fees	\$ 1,473,992	1,473,992	1,031,336	(442,656)
Miscellaneous	13,500	13,500	21,927	8,427
Total revenues	<u>1,487,492</u>	<u>1,487,492</u>	<u>1,053,263</u>	<u>(434,229)</u>
Expenditures:				
Salaries and benefits	402,963	403,472	398,465	5,007
Ordinary maintenance	858,000	849,598	815,284	34,314
Debt service	370,534	378,361	378,361	-
Indirect costs	36,479	36,479	36,479	-
Total expenditures	<u>1,667,976</u>	<u>1,667,910</u>	<u>1,628,589</u>	<u>39,321</u>
Excess (deficiency) of revenues over expenditures	<u>(180,484)</u>	<u>(180,418)</u>	<u>(575,326)</u>	<u>(394,908)</u>
Other financing sources (uses):				
Transfers in	200,000	200,000	594,908	394,908
Transfers (out) for pension bond assessment	<u>(19,516)</u>	<u>(19,582)</u>	<u>(19,582)</u>	<u>-</u>
Total other financing sources (uses)	<u>180,484</u>	<u>180,418</u>	<u>575,326</u>	<u>394,908</u>
Net changes in fund balance	-	-	-	-
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Reconciliation to GAAP-basis:**

	<b>Expenses</b>	<b>Transfers (Net)</b>	<b>Net Change in Fund Balance/ Net Position</b>
As reported on a budgetary basis	\$ 1,628,589	575,326	-
Change in net pension liability and related pension deferred inflows and outflows	21,319	-	(21,319)
Change in net OPEB liability and related OPEB deferred inflows and outflows	30,955	-	(30,955)
Net change in compensated absences	399	-	(399)
Capital projects expenses	2,926	-	(2,926)
Debt service principal	(253,456)	-	253,456
Amortization of premium interest	(18,663)	-	18,663
Net change in accrued interest	(15,442)	-	15,442
Depreciation	<u>211,486</u>	<u>-</u>	<u>(211,486)</u>
As reported on a GAAP basis	<u>\$ 1,608,113</u>	<u>575,326</u>	<u>20,476</u>

## CITY OF WORCESTER, MASSACHUSETTS

## Sewer Enterprise Fund

Schedule of Revenues, Expenditures and  
Changes in Fund Balance –  
Budget and Actual – Budgetary Basis  
For the Fiscal Year Ended June 30, 2020

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 44,888,969	44,888,969	45,195,377	306,408
Miscellaneous	865,441	865,441	680,208	(185,233)
Total revenues	45,754,410	45,754,410	45,875,585	121,175
Expenditures:				
Salaries and benefits	6,934,129	6,829,074	6,636,908	192,166
Ordinary maintenance	24,196,620	24,196,620	24,054,474	142,146
Capital	24,500	24,500	19,003	5,497
Debt service	9,916,197	10,014,359	10,014,359	-
Indirect costs	4,106,529	4,106,529	4,106,529	-
Total expenditures	45,177,975	45,171,082	44,831,273	339,809
Excess of revenues over expenditures	576,435	583,328	1,044,312	460,984
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out) for pension bond assessment	(576,435)	(583,328)	(583,328)	-
Total other financing sources (uses)	(576,435)	(583,328)	(583,328)	-
Net changes in fund balance	-	-	460,984	460,984
Budgetary fund balance – beginning	2,808,576	2,808,576	2,808,576	-
Budgetary fund balance – ending	\$ 2,808,576	2,808,576	3,269,560	460,984

**Reconciliation to GAAP-basis:**

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 45,875,585	44,831,273	(583,328)	460,984
Net change in accrued receivables	(250,591)	-	-	(250,591)
Change in net pension liability and related pension deferred inflows and outflows	-	347,124	-	(347,124)
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	503,394	-	(503,394)
Net change in compensated absences	-	44,180	-	(44,180)
Net change in claims and judgments	-	(52,147)	-	52,147
Capital grants	-	-	398,670	398,670
Capital projects expenses	-	34,728	-	(34,728)
Debt service principal	-	(5,681,105)	-	5,681,105
Amortization of premium interest	-	(468,150)	-	468,150
Net change in accrued interest	-	(273,671)	-	273,671
Depreciation	-	11,929,715	-	(11,929,715)
As reported on a GAAP basis	\$ 45,624,994	51,215,341	(184,658)	(5,775,005)



## CITY OF WORCESTER, MASSACHUSETTS

## Water Enterprise Fund

Schedule of Revenues, Expenditures and  
Changes in Fund Balance –  
Budget and Actual – Budgetary Basis  
For the Fiscal Year Ended June 30, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 25,890,306	25,890,306	28,183,040	2,292,734
Miscellaneous	1,350,500	1,350,500	1,388,184	37,684
Total revenues	<u>27,240,806</u>	<u>27,240,806</u>	<u>29,571,224</u>	<u>2,330,418</u>
Expenditures:				
Salaries and benefits	12,326,598	12,258,679	11,180,415	1,078,264
Ordinary maintenance	4,215,100	4,201,759	3,912,561	289,198
Capital	25,000	25,000	-	25,000
Debt service	7,194,451	7,271,793	7,271,793	-
Indirect costs	2,708,681	2,708,681	2,708,681	-
Total expenditures	<u>26,469,830</u>	<u>26,465,912</u>	<u>25,073,450</u>	<u>1,392,462</u>
Excess of revenues over expenditures	<u>770,976</u>	<u>774,894</u>	<u>4,497,774</u>	<u>3,722,880</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out) for pension bond assessment	<u>(770,976)</u>	<u>(774,894)</u>	<u>(774,894)</u>	<u>-</u>
Total other financing sources (uses)	<u>(770,976)</u>	<u>(774,894)</u>	<u>(774,894)</u>	<u>-</u>
Net changes in fund balance	-	-	3,722,880	3,722,880
Budgetary fund balance – beginning	<u>15,611,513</u>	<u>15,611,513</u>	<u>15,611,513</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 15,611,513</u>	<u>15,611,513</u>	<u>19,334,393</u>	<u>3,722,880</u>

**Reconciliation to GAAP-basis:**

	<u>Revenues</u>	<u>Expenses</u>	<u>Capital Grants &amp; Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 29,571,224	25,073,450	(774,894)	3,722,880
Net change in accrued receivables	(656,025)	-	-	(656,025)
Change in net pension liability and related pension deferred inflows and outflows	-	599,428	-	(599,428)
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	1,665,467	-	(1,665,467)
Net change in compensated absences	-	59,443	-	(59,443)
Net change in claims and judgments	-	509,824	-	(509,824)
Capital grants	-	-	200,000	200,000
Transfers out to capital projects fund	-	-	100,002	100,002
Capital projects expenses	-	337,834	-	(337,834)
Debt service principal	-	(4,639,193)	-	4,639,193
Amortization of premium interest	-	(308,591)	-	308,591
Net change in accrued interest	-	(221,106)	-	221,106
Depreciation	-	8,627,433	-	(8,627,433)
As reported on a GAAP basis	<u>\$ 28,915,199</u>	<u>31,703,989</u>	<u>(474,892)</u>	<u>(3,263,682)</u>

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## CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Activities  
Schedule by Function and Activity

June 30, 2020

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 7,813,131	6,360,130	264,527
Elections	-	-	-
Technical Services	-	1,718,139	-
Total general government	7,813,131	8,078,269	264,527
Public safety:			
Police	514,500	1,351,229	122,011
Fire	1,074,600	9,914,833	-
Inspectional Services	209,905	431,733	-
Communications	-	4,741,650	-
Total public safety	1,799,005	16,439,445	122,011
Health and human services:			
Health	-	39,621	-
Workforce investment board	-	-	-
Veteran's Services	-	-	162,161
Elder Affairs	385,000	1,386,201	10,077
Total health and human services	385,000	1,425,822	172,238
Public works	3,489,339	69,560,094	104,995,406
Education	3,808,537	281,708,386	5,590,149
Community development	-	83,419	506,822
Culture and recreation:			
Library	305,000	11,397,264	-
Auditorium	150,000	674,657	-
DCU Center	263,000	43,250,939	-
Hope Cemetery	290,000	1,466,913	153,307
Parks	5,327,777	3,197,688	58,023,841
Total culture and recreation	6,335,777	59,987,461	58,177,148
Total governmental activities capital assets	\$ 23,630,789	437,282,896	169,828,301

<b>Rolling equipment</b>	<b>Equipment and other</b>	<b>Infrastructure</b>	<b>Construction in progress</b>	<b>Total</b>
-	8,375	-	-	14,446,163
-	27,732	-	-	27,732
-	2,034,502	-	-	3,752,641
-	2,070,609	-	-	18,226,536
26,438	1,350,409	-	-	3,364,587
4,439,686	1,067,833	480,257	-	16,977,209
-	-	-	-	641,638
-	6,711,128	-	-	11,452,778
4,466,124	9,129,370	480,257	-	32,436,212
-	-	-	-	39,621
-	13,457	-	-	13,457
-	-	-	-	162,161
-	130,163	-	-	1,911,441
-	143,620	-	-	2,126,680
1,653,494	1,417,387	160,182,008	85,633,341	426,931,069
2,839,114	6,257,724	-	108,079,323	408,283,233
-	15,098	-	-	605,339
-	180,290	-	4,422,470	16,305,024
-	-	-	114,169	938,826
168,600	1,731,477	-	248,658	45,662,674
56,941	-	744,400	-	2,711,561
1,258,710	233,806	1,248,428	2,585,457	71,875,707
1,484,251	2,145,573	1,992,828	7,370,754	137,493,792
10,442,983	21,179,381	162,655,093	201,083,418	1,026,102,861

## CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Activities  
Schedule of Changes by Function and Activity

For the Fiscal Year Ended June 30, 2020

Function and activity	Governmental activities capital assets July 1, 2019	Additions	Deductions	Governmental activities capital assets June 30, 2020
General government:				
Manager	\$ 13,163,340	1,659,254	376,431	14,446,163
Elections	83,196	-	55,464	27,732
Technical Services	2,763,905	1,497,652	508,916	3,752,641
Total general government	16,010,441	3,156,906	940,811	18,226,536
Public safety:				
Police	2,018,814	1,693,331	347,558	3,364,587
Fire	16,877,470	1,843,510	1,743,771	16,977,209
Inspectional Services	682,960	-	41,322	641,638
Communications	11,067,490	1,325,000	939,712	11,452,778
Total public safety	30,646,734	4,861,841	3,072,363	32,436,212
Health and human services:				
Health	42,177	-	2,556	39,621
Workforce investment board	40,371	-	26,914	13,457
Veteran's Services	171,428	-	9,267	162,161
Elder Affairs	1,846,811	254,091	189,461	1,911,441
Total health and human svc	2,100,787	254,091	228,198	2,126,680
Public works	372,543,424	78,275,368	23,887,723	426,931,069
Education	345,919,180	80,598,512	18,234,459	408,283,233
Community development	670,699	-	65,360	605,339
Culture and recreation:				
Library	13,000,357	3,946,941	642,274	16,305,024
Auditorium	894,091	114,169	69,434	938,826
DCU Center	49,504,962	545,234	4,387,522	45,662,674
Hope Cemetery	2,331,947	516,634	137,020	2,711,561
Parks	68,452,309	8,502,006	5,078,608	71,875,707
Total culture and recreation	134,183,666	13,624,984	10,314,858	137,493,792
Total governmental activities capital assets	\$ 902,074,931	180,771,702	56,743,772	1,026,102,861

## CITY OF WORCESTER, MASSACHUSETTS

## Agency Fund

## Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2020

	<b>Balance</b> <b>July 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b> <b>June 30, 2020</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 480,881	429,779	(405,758)	504,902
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 3,225	2,210	(3,225)	2,210
Due to student groups	477,656	427,569	(402,533)	502,692
Total liabilities	\$ 480,881	429,779	(405,758)	504,902

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## **STATISTICAL SECTION**



## STATISTICAL SECTION

This part of the City of Worcester's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### Table of Contents

	Page
<b>Financial Trends</b>	177
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	187
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	196
These tables contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	199
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	202
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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## CITY OF WORCESTER, MASSACHUSETTS

**Net Position by Component (1)**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014 (2)	2015	2016	2017 (3)	2018	2019	2020
Governmental activities:										
Net investment in capital assets (1)	\$ 280,669	288,776	310,299	333,718	361,677	402,433	433,725	441,004	469,471	518,388
Restricted	42,290	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968
Unrestricted	(230,791)	(232,785)	(254,054)	(608,267)	(640,192)	(693,216)	(1,184,168)	(1,247,332)	(1,325,449)	(1,390,239)
Total governmental activities net position	\$ 92,168	96,367	99,779	(219,554)	(222,337)	(234,539)	(688,876)	(740,535)	(785,142)	(808,883)
Business-type activities:										
Net investment in capital assets (1)	\$ 87,708	87,856	86,123	86,648	88,675	90,920	84,896	86,281	85,721	76,803
Restricted	1,601	-	-	-	-	-	-	-	-	-
Unrestricted	8,344	10,776	11,024	(10,304)	(12,425)	(12,985)	(18,103)	(19,802)	(19,329)	(19,429)
Total business-type net position	\$ 97,653	98,632	97,147	76,344	76,250	77,935	66,793	66,479	66,392	57,374
Primary government:										
Net investment in capital assets (1)	\$ 368,377	376,632	396,422	420,366	450,352	493,353	518,621	527,285	555,192	595,191
Restricted	43,891	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968
Unrestricted	(222,447)	(222,009)	(243,030)	(618,571)	(652,617)	(706,201)	(1,202,271)	(1,267,134)	(1,344,778)	(1,409,668)
Total primary government net position	\$ 189,821	194,999	196,926	(143,210)	(146,087)	(156,604)	(622,083)	(674,056)	(718,750)	(751,509)

(1) Net position and net investment in capital assets terminology per GASB #63 is being utilized.

(2) Net pension liability (and related) per GASB #68 is reported starting in fiscal year 2014.

(3) Net other postemployment benefits (OPEB) liability (and related) per GASB #75 is reported starting in fiscal year 2017.

Table 2

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Net Position (1)**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020
<b>Expenses</b>										
Governmental activities:										
General government	\$ 21,026	21,552	24,652	49,096	23,721	29,353	48,401	47,038	33,886	35,888
Public safety	123,114	126,488	129,490	302,717	160,408	156,918	277,547	171,039	190,526	194,959
Health and human services	25,033	20,597	18,396	32,756	16,650	19,262	22,680	14,270	15,177	15,475
Education	432,824	435,526	451,582	548,011	424,350	480,201	792,154	527,848	555,917	594,222
Public works	37,435	39,584	40,387	57,769	47,280	41,955	66,303	56,693	57,070	57,829
Culture and recreation	17,528	21,535	21,756	35,211	27,461	26,351	31,747	28,858	31,662	33,819
Community development	7,926	4,399	1,820	4,256	4,063	6,562	7,028	5,975	8,952	10,402
Interest on debt	22,573	23,968	25,873	26,555	21,806	20,883	20,074	21,672	21,660	20,253
Total governmental activities expenses	687,459	693,649	713,956	1,056,371	725,739	781,485	1,265,934	873,393	914,850	962,847
Business-type activities:										
Water	24,911	24,388	25,734	39,096	27,391	26,785	33,730	28,063	29,511	31,704
Sewer	33,737	35,284	37,991	45,563	39,972	42,018	48,533	47,932	51,185	51,215
Airport	1,417	-	-	-	-	-	-	-	-	-
Golf course (nonmajor)	1,238	1,246	1,293	1,713	1,429	1,386	1,452	1,392	1,564	1,608
Total business-type expenses	61,303	60,918	65,018	86,372	68,792	70,189	83,715	77,387	82,260	84,527
Total primary government expenses	\$ 748,762	754,567	778,974	1,142,743	794,531	851,674	1,349,649	950,780	997,110	1,047,374
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 13,775	15,935	14,969	16,118	17,444	20,844	18,835	18,808	21,372	20,981
Public works	10,986	11,917	9,920	11,356	8,823	9,369	10,588	9,624	10,401	11,036
Other activities	9,738	8,823	8,752	8,770	8,623	8,579	8,709	7,523	12,139	11,665
Operating grants and contributions	368,157	363,538	365,227	374,157	342,932	363,557	387,555	393,634	409,107	452,784
Capital grants and contributions	32,916	10,691	23,252	15,562	24,528	29,007	34,946	24,198	34,627	53,126
Total governmental activities program revenues	435,572	410,904	422,120	425,963	402,350	431,356	460,633	453,787	487,646	549,592
Business-type activities:										
Charges for services:										
Water	25,946	27,002	26,838	28,243	28,360	29,278	30,250	29,588	29,927	28,915
Sewer	31,320	34,443	34,066	36,262	38,951	40,550	41,954	43,192	46,243	45,625
Airport	152	-	-	-	-	-	-	-	-	-
Golf course (nonmajor)	1,035	1,127	1,058	1,096	1,090	1,206	1,106	1,125	1,134	1,053
Operating grants and contributions	1,282	-	385	-	-	-	-	-	-	-
Capital grants and contributions	641	2,691	2,106	386	-	330	286	3,814	6,012	599
Total business-type activities program revenues	60,376	65,263	64,453	65,987	68,401	71,364	73,596	77,719	83,316	76,192
Total primary government program revenues	\$ 495,948	476,167	486,573	491,950	470,751	502,720	534,229	531,506	570,962	625,784

(continued)

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Net Position (1)**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020
Net (expense)/revenue										
Governmental activities	\$ (251,887)	(282,745)	(291,836)	(630,408)	(323,389)	(350,129)	(805,301)	(419,606)	(427,204)	(413,255)
Business-type activities	(927)	4,345	(565)	(20,385)	(391)	1,175	(10,119)	332	1,056	(8,335)
Total primary government net (expense)/ revenue	\$ <u>(252,814)</u>	<u>(278,400)</u>	<u>(292,401)</u>	<u>(650,793)</u>	<u>(323,780)</u>	<u>(348,954)</u>	<u>(815,420)</u>	<u>(419,274)</u>	<u>(426,148)</u>	<u>(421,590)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 215,511	225,460	233,206	247,313	257,423	271,801	275,979	288,275	297,653	308,857
Motor vehicle excise taxes	11,519	11,866	12,720	13,075	14,305	15,554	16,281	15,702	16,551	16,509
Intergovernmental	36,220	36,298	36,039	36,974	37,844	39,096	40,732	42,286	43,796	44,942
Other	12,809	9,886	11,730	13,227	11,244	11,883	16,788	15,501	19,636	15,113
Transfers (net)	13,250	3,366	920	418	(297)	(510)	1,023	646	1,143	683
Gain on sale of capital assets	-	-	564	-	-	-	-	-	-	-
Donations	48	68	69	68	87	103	160	225	507	244
Energy sales and rebates	-	-	-	-	-	-	-	5,312	3,311	3,166
Extraordinary item - transfer of airport debt	(3,055)	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>286,302</u>	<u>286,944</u>	<u>295,248</u>	<u>311,075</u>	<u>320,606</u>	<u>337,927</u>	<u>350,963</u>	<u>367,947</u>	<u>382,597</u>	<u>389,514</u>
Business-type activities										
Transfers (net)	(13,250)	(3,366)	(920)	(418)	297	510	(1,023)	(646)	(1,143)	(683)
Loss on airport disposal	(20,193)	-	-	-	-	-	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	3,055	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(30,388)</u>	<u>(3,366)</u>	<u>(920)</u>	<u>(418)</u>	<u>297</u>	<u>510</u>	<u>(1,023)</u>	<u>(646)</u>	<u>(1,143)</u>	<u>(683)</u>
Total primary government	\$ <u>255,914</u>	<u>283,578</u>	<u>294,328</u>	<u>310,657</u>	<u>320,903</u>	<u>338,437</u>	<u>349,940</u>	<u>367,301</u>	<u>381,454</u>	<u>388,831</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 34,415	4,199	3,412	(319,333)	(2,783)	(12,202)	(454,338)	(51,659)	(44,607)	(23,741)
Business-type activities	(31,315)	979	(1,485)	(20,803)	(94)	1,685	(11,142)	(314)	(87)	(9,018)
Total primary government	\$ <u>3,100</u>	<u>5,178</u>	<u>1,927</u>	<u>(340,136)</u>	<u>(2,877)</u>	<u>(10,517)</u>	<u>(465,480)</u>	<u>(51,973)</u>	<u>(44,694)</u>	<u>(32,759)</u>

(1) Net position terminology per GASB #63 is being utilized.

(2) Expenses in fiscal 2014 reflect the initial measurement of the net pension liability (and related) per GASB #68.

(3) OPEB expense was reallocated among departments in fiscal 2015.

MTRS in-kind pension expense decreased \$29,508 upon implementation of GASB #68.

(4) Expenses in fiscal 2017 reflect the initial measurement of the net OPEB liability (and related) per GASB #75.

(Concluded)

Table 3

## CITY OF WORCESTER, MASSACHUSETTS

**Governmental Activities - Tax Revenues by Source**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

Fiscal Year		Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Cannabis Excise	In Lieu of Tax Payments (1)	Total
2011	\$	215,511	11,519	1,787	2,450	32	-	-	231,299
2012		225,460	11,866	1,939	2,568	32	-	-	241,865
2013		233,206	12,720	1,940	2,686	45	-	-	250,597
2014		247,313	13,075	2,005	2,816	48	-	966	266,223
2015		257,423	14,305	2,153	3,186	53	-	805	277,925
2016		271,801	15,554	2,322	3,466	27	-	875	294,045
2017		275,979	16,281	2,636	3,600	77	-	734	299,307
2018		288,275	15,702	2,837	3,988	25	-	775	311,602
2019		297,653	16,551	3,287	4,012	25	-	605	322,133
2020		308,857	16,509	2,940	3,358	20	500	478	332,662

(1) In lieu of tax payments are reported in this table starting in fiscal year 2014.

Table 4

## CITY OF WORCESTER, MASSACHUSETTS

**Fund Balances of Governmental Funds**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (1)
General fund:										
Restricted	\$ 1,070	1,444	2,652	7,020	8,425	8,896	11,753	15,009	17,430	-
Unassigned	17,758	25,520	27,869	27,870	26,823	34,652	40,383	42,377	47,971	53,226
Total general fund	<u>\$ 18,828</u>	<u>26,964</u>	<u>30,521</u>	<u>34,890</u>	<u>35,248</u>	<u>43,548</u>	<u>52,136</u>	<u>57,386</u>	<u>65,401</u>	<u>53,226</u>
All other governmental funds:										
Nonspendable	\$ 14,215	13,918	15,579	11,961	12,935	13,062	15,686	15,626	16,022	15,717
Restricted	37,287	31,849	32,228	38,863	39,153	37,378	38,880	35,955	55,318	47,894
Committed	22,673	29,057	35,896	39,734	40,025	38,925	37,788	44,116	45,801	46,696
Unassigned	(11,518)	(35,686)	(38,492)	(41,479)	(36,088)	(53,372)	(83,752)	(31,846)	(36,013)	(73,936)
Total all other governmental funds	<u>\$ 62,657</u>	<u>39,138</u>	<u>45,211</u>	<u>49,079</u>	<u>56,025</u>	<u>35,993</u>	<u>8,602</u>	<u>63,851</u>	<u>81,128</u>	<u>36,371</u>

(1) Restricted general fund for 2011-2019 was the balance in a revocable OPEB Trust. Beginning 2020, the City established an irrevocable OPEB Trust reported in fiduciary funds financial statements.

Table 5

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Fund Balances of Governmental Funds**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>REVENUES</b>										
Property taxes	\$ 216,370	225,501	233,327	246,742	256,652	271,977	276,746	289,195	296,190	306,738
Motor vehicle excise taxes	11,311	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689
Other taxes and in-lieu payments	6,365	6,015	6,064	6,559	6,872	7,303	7,596	8,336	8,492	7,953
Penalties and interest on taxes	2,285	2,872	2,532	2,440	2,107	2,530	2,315	2,049	2,329	2,260
Licenses and permits	4,865	5,210	4,992	5,274	5,795	6,388	6,713	6,943	6,736	7,443
Intergovernmental (1)	445,106	417,838	425,047	434,696	380,721	392,272	407,424	396,952	426,783	470,460
Charges for services	23,539	24,988	24,106	24,123	24,137	28,418	25,746	26,097	33,144	31,926
Fines and forfeitures	2,806	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900
Investment earnings (losses)	2,543	(35)	2,116	3,107	567	930	3,228	2,219	5,331	3,075
Donations	5,528	4,677	11,396	5,997	5,059	5,120	4,753	5,589	2,836	5,607
Contributions to permanent funds	48	68	69	69	87	103	160	225	507	244
Energy sales and rebates	-	-	-	-	-	-	-	5,312	3,311	3,166
Miscellaneous	89	1,723	1,452	1,845	2,259	1,733	4,197	3,608	4,048	2,481
Total revenues	720,855	703,590	726,538	747,284	701,618	734,704	757,311	765,165	808,726	858,942
<b>EXPENDITURES</b>										
General government (2)	15,936	28,650	31,911	25,559	24,574	39,609	53,943	31,560	26,376	29,638
Public safety (2)	90,395	94,006	93,314	96,604	97,773	114,414	109,885	109,581	116,991	122,108
Health and human services	22,499	17,788	15,547	14,872	13,619	15,810	18,355	12,160	11,785	12,720
Education (2)	302,392	299,134	296,957	316,669	313,239	337,664	351,885	357,957	385,801	435,541
Public works	53,773	55,072	61,137	53,607	61,059	62,248	49,887	44,103	69,871	102,470
Culture and recreation	17,402	16,758	26,590	35,534	22,027	19,826	19,364	29,924	24,088	29,767
Fringe benefits (1)	147,319	143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355
Community development	7,926	4,399	1,820	4,256	4,064	7,153	7,273	5,917	8,887	10,336
State & regional charges	28,255	29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,531
Debt service:										
Principal	38,813	36,747	36,746	37,922	54,979	46,974	45,917	45,743	48,459	47,387
Interest	24,023	26,890	27,269	27,964	23,825	23,583	22,677	24,196	24,819	25,285
Total expenditures	748,733	752,692	770,607	800,933	749,399	804,179	820,176	798,110	863,540	991,138
Excess of revenues										
(under) expenditures	(27,878)	(49,102)	(44,069)	(53,649)	(47,781)	(69,475)	(62,865)	(32,945)	(54,814)	(132,196)

(continued)



## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Fund Balances of Governmental Funds**

(Modified Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 51,549	27,305	27,117	25,473	33,917	41,360	22,520	28,485	28,675	26,069
Transfers (out)	(38,299)	(23,832)	(26,197)	(25,055)	(34,215)	(41,870)	(21,497)	(27,839)	(27,532)	(25,386)
Premium on issuance of bonds and notes	804	479	3,789	3,366	4,081	3,988	4,362	6,778	3,186	5,363
Sale of capital assets	478	-	840	-	-	-	-	-	-	-
Premium from issuance of refunding bonds	-	-	300	-	2,305	2,314	612	1,549	-	-
Issuance of refunding bonds	-	7,422	3,015	-	7,407	9,439	8,892	23,233	-	-
Issuance of bonds and notes	34,900	29,867	48,150	52,492	41,589	44,280	38,677	84,369	70,718	63,173
Payment to refunded bond escrow agent	-	(7,521)	(3,315)	-	-	(9,439)	(9,504)	(24,781)	-	-
Capital lease	-	-	-	5,609	-	7,671	-	1,650	5,059	6,045
Total other financing sources (uses), net	<u>49,432</u>	<u>33,720</u>	<u>53,699</u>	<u>61,885</u>	<u>55,084</u>	<u>57,743</u>	<u>44,062</u>	<u>93,444</u>	<u>80,106</u>	<u>75,264</u>
Net change in fund balances	\$ <u>21,554</u>	<u>(15,382)</u>	<u>9,630</u>	<u>8,236</u>	<u>7,303</u>	<u>(11,732)</u>	<u>(18,803)</u>	<u>60,499</u>	<u>25,292</u>	<u>(56,932)</u>
Debt service as a percentage of noncapital expenditures	9.2%	9.2%	9.1%	9.1%	11.4%	10.1%	9.6%	9.6%	9.6%	9.0%

(1) Starting in fiscal 2015, on behalf revenue and expense for MTRS contributions are not reported upon implementation of GASB # 68.

(2) In fiscal year 2014, 2016, 2018, 2019 and 2020 expenditures for general government, public safety, and education includes acquisition of capital assets with capital leases totaling \$5,609, \$7,671, \$1,650, \$5,059, and \$6,045 respectively.

(Concluded)

Table 6

## CITY OF WORCESTER, MASSACHUSETTS

**Governmental Funds Tax Revenues by Source**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Cannabis Excise	In Lieu of Tax Payments (1)	Special Assessments (1)	Total
2011	\$216,370	11,311	1,787	2,450	32	-	-	-	231,950
2012	225,501	11,888	1,939	2,568	32	-	-	-	241,928
2013	233,328	12,843	1,940	2,686	45	-	-	-	250,842
2014	246,742	13,281	2,005	2,816	48	-	966	724	266,582
2015	256,652	14,265	2,153	3,186	53	-	805	674	277,788
2016	271,977	15,346	2,322	3,466	27	-	875	613	294,626
2017	276,746	16,027	2,636	3,600	77	-	734	549	300,369
2018	289,195	16,139	2,837	3,988	25	-	775	711	313,670
2019	296,190	16,631	3,287	4,012	25	-	605	563	321,313
2020	306,738	15,689	2,940	3,358	20	500	478	657	330,380

(1) In lieu of tax payments and special assessments are reported in this table starting in fiscal year 2014.

CITY OF WORCESTER, MASSACHUSETTS

Graph 1

**General Fund Expenditures**  
Modified Accrual Basis of Accounting  
Year Ended June 30, 2020

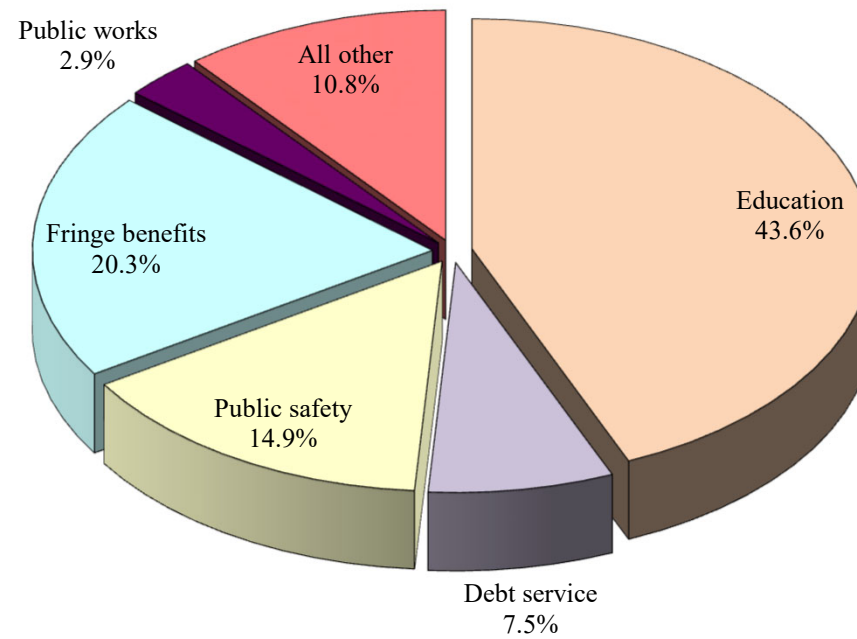


Table 7

## CITY OF WORCESTER, MASSACHUSETTS

**General Fund Expenditures**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
General government (3)	\$	13,730	14,598	15,570	16,809	17,930	18,396	19,374	22,634	21,508	24,116
Public safety (3)		74,931	77,812	80,413	82,546	83,930	95,321	93,297	93,491	97,693	103,936
Health and human services (2)		675	764	926	730	860	3,196	3,652	3,599	3,893	3,939
Education (3)		205,918	222,923	235,106	250,819	247,223	259,527	260,466	279,177	287,372	303,528
Public works		18,255	18,030	18,995	19,740	20,758	18,673	22,755	22,442	22,180	20,441
Culture and recreation		7,807	8,123	8,467	8,951	9,385	9,714	10,445	11,861	12,001	11,860
Fringe benefits (1)		147,319	143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355
State and regional charges		28,254	29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,532
Debt service		47,095	47,067	47,510	48,996	52,677	52,672	50,749	50,968	52,680	51,895
Totals	\$	<u>543,984</u>	<u>562,565</u>	<u>586,303</u>	<u>616,537</u>	<u>567,003</u>	<u>594,397</u>	<u>601,728</u>	<u>621,141</u>	<u>643,790</u>	<u>695,602</u>

(1) Starting in fiscal 2015, on behalf expense for MTRS contributions are not reported upon implementation of GASB # 68.

(2) Starting in fiscal 2016, the Veteran's Department was moved from general government to health and human services.

(3) In fiscal year 2014, 2016, 2018, 2019 and 2020 expenditures for general government, public safety, and education includes acquisition of capital assets with capital leases totaling \$5,609, \$7,671, \$1,650, \$5,059, and \$6,045 respectively.

**General Fund Revenues**  
Modified Accrual Basis of Accounting  
Year Ended June 30, 2020

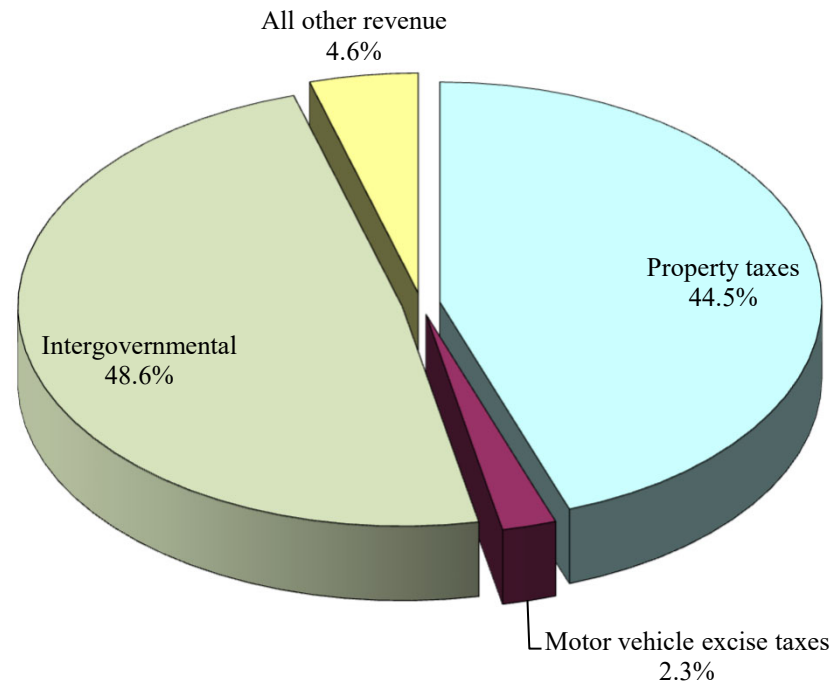


Table 8

## CITY OF WORCESTER, MASSACHUSETTS

**General Fund Revenues**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

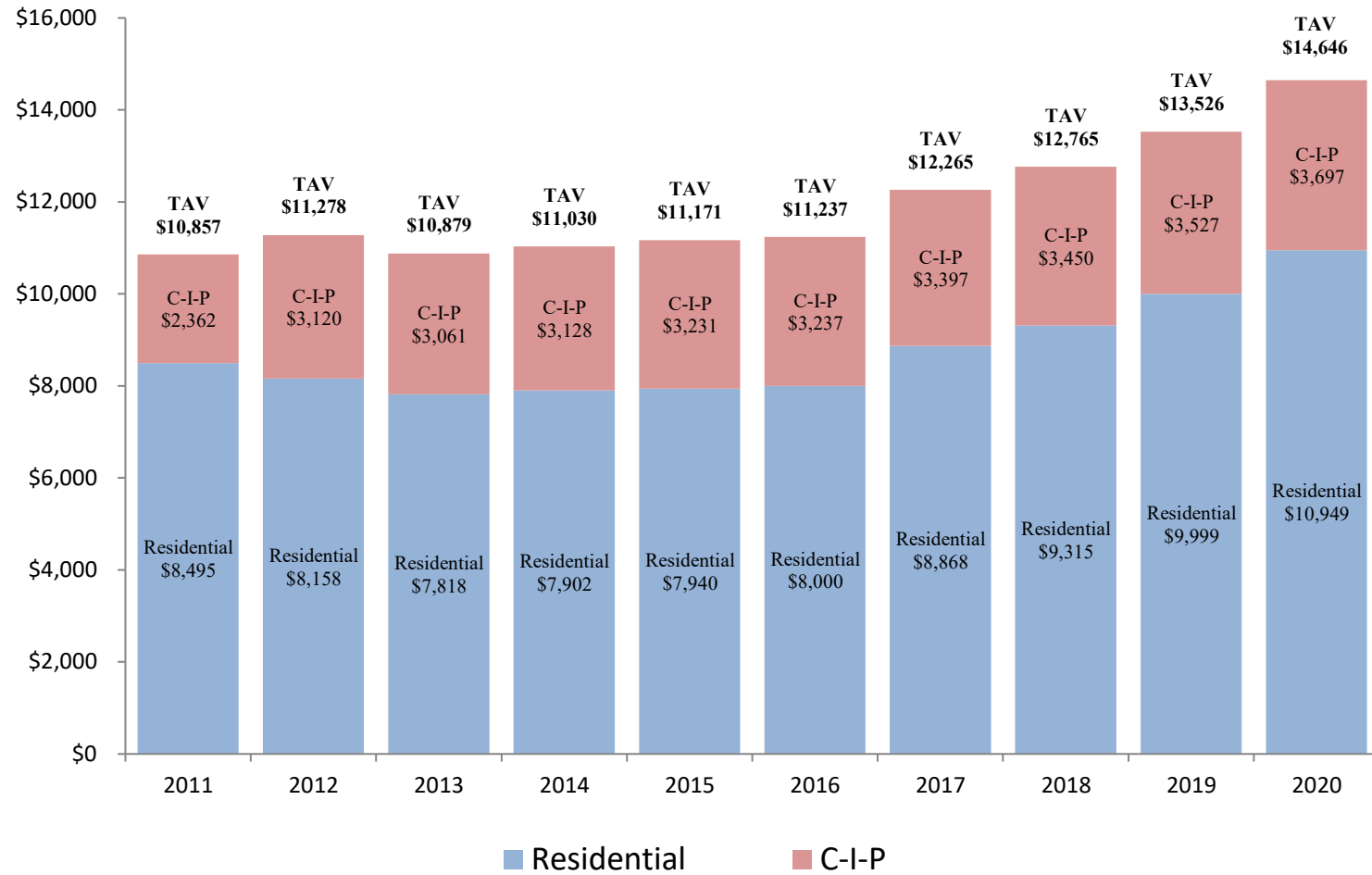
(amounts expressed in *thousands*)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Property taxes	\$ 216,370	225,501	233,328	246,742	256,652	271,977	276,746	289,195	296,190	306,738
Motor vehicle excise taxes	11,311	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689
Other taxes and in-lieu payments	4,934	4,440	4,413	4,804	4,777	5,083	5,270	5,818	6,112	6,188
Penalties and interest on taxes	2,285	2,872	2,532	2,440	2,107	2,530	2,316	2,049	2,329	2,260
Licenses and permits	4,865	5,210	4,992	5,274	5,795	6,388	6,713	6,944	6,736	7,443
Intergovernmental (1)	306,267	321,719	332,726	342,950	278,742	291,662	297,397	301,850	312,312	335,006
Charges for services	5,939	5,814	5,746	5,683	5,566	5,800	5,866	5,932	7,277	6,692
Fines and forfeitures	2,806	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900
Investment earnings	68	100	318	484	554	1,005	1,097	1,570	4,046	2,516
Energy sales and rebates	-	-	-	-	-	-	-	1,718	1,891	2,121
Miscellaneous	<u>1,429</u>	<u>1,318</u>	<u>1,112</u>	<u>1,246</u>	<u>1,727</u>	<u>1,368</u>	<u>2,998</u>	<u>2,699</u>	<u>3,017</u>	<u>2,293</u>
Totals	\$ <u><u>556,274</u></u>	<u><u>581,707</u></u>	<u><u>600,604</u></u>	<u><u>626,055</u></u>	<u><u>573,282</u></u>	<u><u>603,743</u></u>	<u><u>616,836</u></u>	<u><u>636,415</u></u>	<u><u>658,929</u></u>	<u><u>688,846</u></u>

(1) Starting in fiscal 2015, on behalf revenue for MTRS contributions are not reported upon implementation of GASB # 68.

**Taxable Assessed Valuations (TAV)**

Last Ten Fiscal Years  
(amounts expressed in *millions*)



C-I-P = Commercial, Industrial, Pers. Prop.

Table 9

## CITY OF WORCESTER, MASSACHUSETTS

**Assessed Value and Estimated Actual Value of Taxable Property**

Last Ten Fiscal Years

(Amounts expressed in *thousands*, except for total direct tax rate)

Fiscal Year	Assessed value				Total Direct tax Rate (1)	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
	Residential Property	Commercial and Industrial Property	Personal Property	Total Taxable Assessed Value						
2011	\$ 8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	\$ 2,960,659	13,817,521	21.43%
2012	8,157,509	2,527,779	592,328	11,277,616	20.33	11,928,304	94.55	4,460,004	15,737,620	28.34
2013	7,817,607	2,477,244	584,005	10,878,856	22.03	12,173,645	89.36	4,419,631	15,298,487	28.89
2014	7,902,180	2,535,314	592,517	11,030,011	22.74	12,173,645	90.61	4,920,225	15,950,236	30.85
2015	7,940,489	2,529,870	700,912	11,171,271	23.44	11,615,944	96.17	4,945,157	16,116,428	30.68
2016	8,000,021	2,483,143	753,717	11,236,881	24.46	11,615,944	96.74	4,948,796	16,185,677	30.58
2017	8,868,132	2,622,986	774,345	12,265,463	23.02	12,237,662	100.23	5,621,707	17,887,170	31.43
2018	9,314,530	2,682,894	767,225	12,764,649	23.00	12,237,662	104.31	5,691,420	18,456,069	30.84
2019	9,999,308	2,725,907	800,600	13,525,815	22.41	13,336,463	101.42	5,704,513	19,230,328	29.66
2020	10,948,970	2,820,972	876,223	14,646,165	21.58	13,336,463	109.82	5,905,211	20,551,376	28.73

(1) Per \$1,000 of assessed value



Table 10

## CITY OF WORCESTER, MASSACHUSETTS

**Direct Property Tax Rates (1) (2)**

Last Ten Fiscal Years

<b>Fiscal Year</b>		<b>Residential Real Property</b>	<b>Commercial and Industrial Real Property</b>	<b>Personal Property</b>	<b>Total Direct (3)</b>
2011	\$	16.06	34.65	34.65	20.10
2012		16.98	29.07	29.07	20.33
2013		18.58	30.85	30.85	22.03
2014		19.54	30.83	30.83	22.74
2015		20.07	31.73	31.73	23.44
2016		20.61	33.98	33.98	24.46
2017		19.22	32.93	32.93	23.02
2018		18.91	34.03	34.03	23.00
2019		18.00	34.90	34.90	22.41
2020		17.00	35.16	35.16	21.58

Source: Assessing Department

(1) Rates are applicable to each \$1,000 of assessed value.

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property (Levy Ceiling). The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000.

Table 11

## CITY OF WORCESTER, MASSACHUSETTS

**Property Tax Levies and Collections**

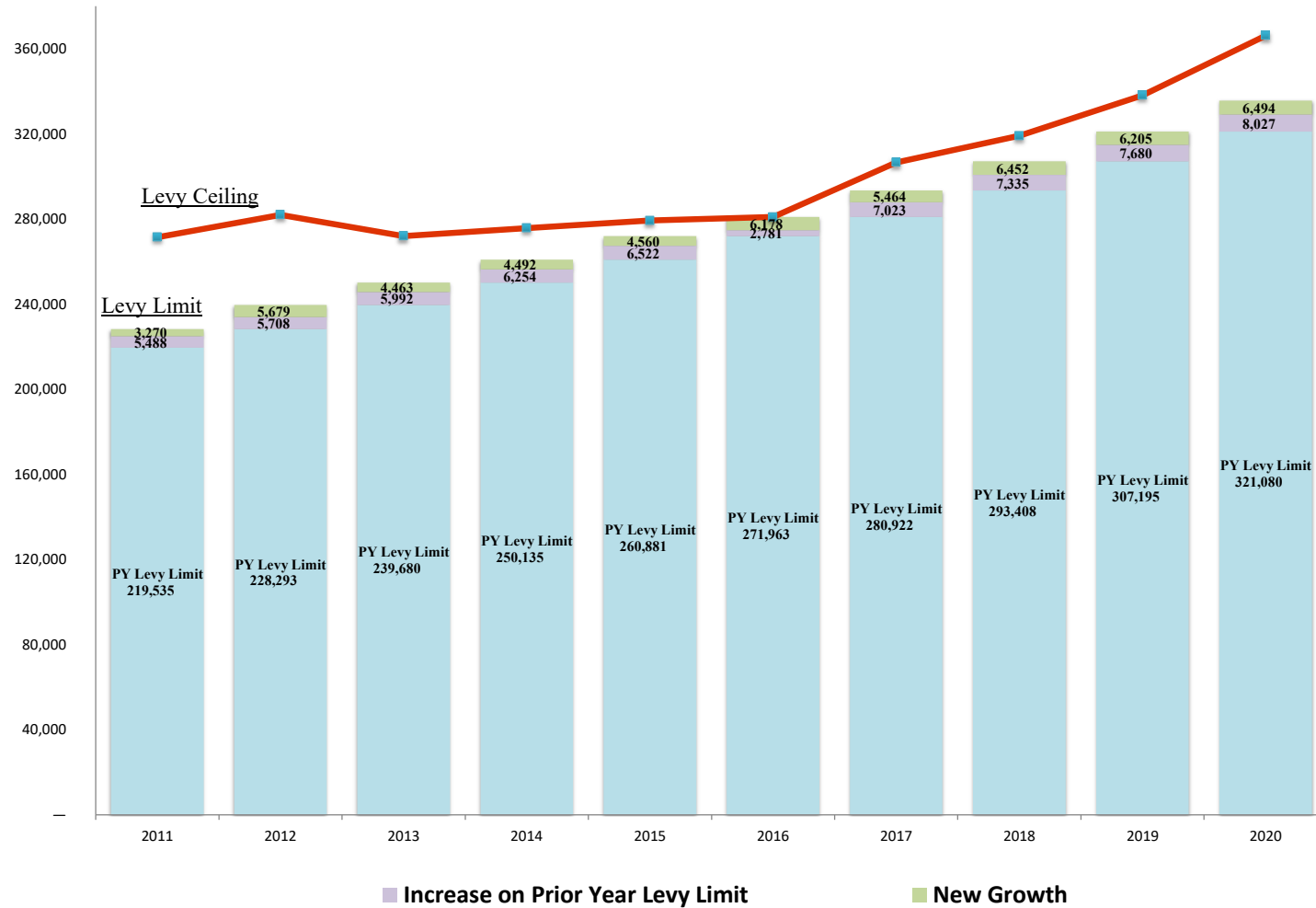
Last Ten Fiscal Years

(amounts expressed in *thousands* )

Fiscal Year	Tax levy net of exemptions and abatements	Collected within the Fiscal year of the levy		Net collections in subsequent years	Total collections to date	
		Amount	Percentage of net levy		Amount	Percentage of levy
2011	\$ 215,790	210,277	97.45%	\$ 5,268	215,545	99.89%
2012	223,201	220,352	98.72	1,722	222,074	99.50
2013	236,223	230,540	97.59	3,796	234,336	99.20
2014	246,942	241,606	97.84	3,476	245,082	99.25
2015	256,138	252,256	98.48	3,743	255,999	99.95
2016	271,896	267,287	98.30	3,162	270,449	99.47
2017	279,563	273,712	97.91	3,139	276,851	99.03
2018	290,784	284,772	97.93	3,951	288,723	98.10
2019	301,426	294,321	97.64	4,421	298,742	99.11
2020	314,133	304,593	96.96	-	304,593	96.96

# Increase in the Levy Limit

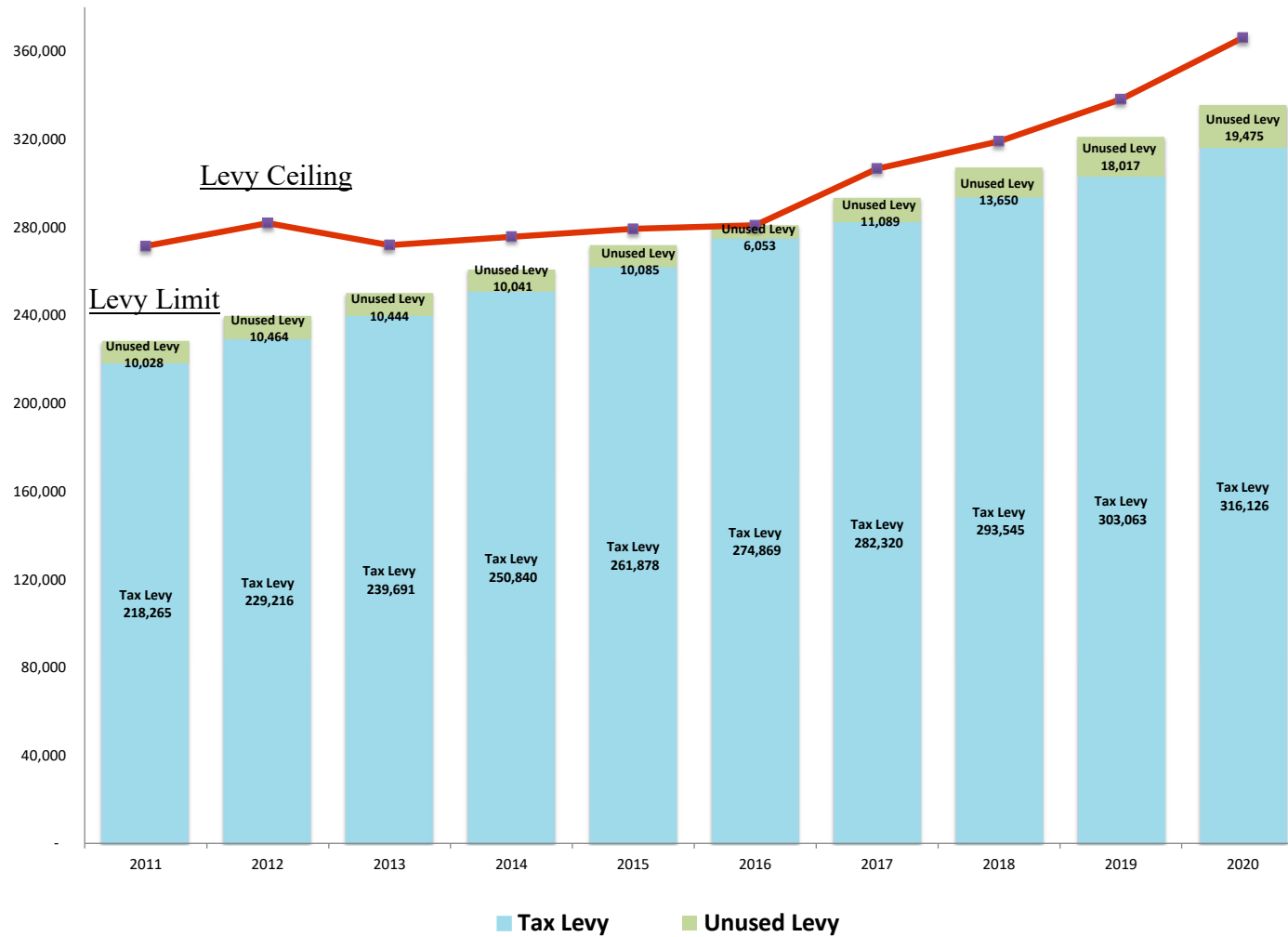
Last Ten Fiscal Years  
(amounts expressed in *thousands*)



Proposition 2 ½ places constraints on the amount of the tax levy raised by the city. First, the city cannot levy more than 2.5 percent of the taxable assessed value (levy ceiling). Second, the city is also constrained by how much the levy can be increased from year to year (levy limit). The levy limit is limited to 2 ½ percent of the prior year levy limit plus new growth, certain exclusions and voter overrides and may not exceed the levy ceiling.

# Tax Levy and Unused Levy Capacity

Last Ten Fiscal Years  
(amounts expressed in *thousands*)



The amount of the levy limit above the actual tax levy is the unused levy capacity.

Table 12

## CITY OF WORCESTER, MASSACHUSETTS

## Principal Taxpayers - Current Year and Nine Years Ago

June 30, 2020

(amounts expressed in *thousands*)

Taxpayer	Type of business	2020				2011			
		Assessed valuation	Rank	Fiscal 2020 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2011 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 372,860	1	13,110	4.2 %	\$ 143,843	1	4,787	2.2 %
NSTAR Gas Co.	Gas utility	218,584	2	7,685	2.4	53,562	3	1,783	0.8
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	144,121	3	5,067	1.6	44,871	6	1,493	0.7
New England Power Company	Electric utility	70,770	4	2,488	0.8	N/A	N/A	N/A	N/A
V3B SA LLC (Lincoln Plaza)	Shopping plaza	65,361	5	2,298	0.7	52,952	4	1,762	0.8
Worcester TC LLC (Abbvie)	Biotechnology park	64,291	6	2,261	0.7	42,479	7	1,414	0.7
Hanover Insurance Group	Insurance	62,161	7	2,186	0.7	50,347	5	1,676	0.8
Front Street Associates LLC	Real Estate	46,103	8	1,621	0.5	N/A	N/A	N/A	N/A
Verizon New England	Communications	41,981	9	1,476	0.5	55,532	2	1,848	0.9
RK Worcester Crossing LLC	Real Estate	40,281	10	1,416	0.5	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (CitySquare)	Real Estate	N/A	N/A	N/A	N/A	35,084	8	1,168	0.5
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	N/A	N/A	N/A	N/A	32,390	9	1,078	0.5
Charter Communications	Broadband cable services	N/A	N/A	N/A	N/A	25,186	10	838	0.4
Totals		\$ <u>1,126,513</u>		\$ <u>39,608</u>	<u>12.6</u> %	\$ <u>536,246</u>		\$ <u>17,847</u>	<u>8.3</u> %

N/A - not ranked in top ten during fiscal year

Source: Assessor's department

Table 13

## CITY OF WORCESTER, MASSACHUSETTS

## Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in *thousands* , except per capita)

Fiscal Year	Governmental activities			Business-type activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Section 108 Note	Capital Leases	General Obligation Bonds (1)	Sewer Notes			
2011	\$ 465,688	4,505	-	125,346	774	596,313	13.62	\$ 3,313
2012	458,847	4,396	-	123,850	1,693	588,786	13.29	3,262
2013	472,522	4,283	-	135,543	1,645	613,993	13.83	3,383
2014	489,322	4,164	5,048	137,315	1,480	637,329	14.40	3,504
2015	490,070	2,216	3,987	140,743	1,950	638,966	14.32	3,501
2016	491,428	2,085	10,564	139,861	2,882	646,820	14.36	3,527
2017	484,176	1,947	9,198	145,222	5,309	645,852	13.94	3,516
2018	527,038	1,802	8,846	148,520	5,038	691,244	14.24	3,742
2019	548,761	1,718	11,811	160,019	4,763	727,072	14.50	3,911
2020	565,480	1,630	14,769	173,821	4,479	760,179	14.70	4,100

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Amounts include deferred bond premiums

(2) See table 16

(3) Population data based on U.S. Census Bureau: American Community Survey estimates (see table 16)

Table 14

## CITY OF WORCESTER, MASSACHUSETTS

**Ratio of General Bonded Debt Outstanding**

Last Ten Fiscal Years

(amounts expressed in *thousands*, except per capita)

<b>Fiscal year</b>	<b>General Obligation Bonds (1)</b>	<b>Percentage of Assessed Value (2)</b>	<b>Total Per capita (3)</b>
2011	\$ 591,034	5.44%	\$ 3,284
2012	582,697	5.17	3,228
2013	608,065	5.59	3,351
2014	626,637	5.68	3,445
2015	630,813	5.65	3,456
2016	631,289	5.62	3,442
2017	629,398	5.13	3,427
2018	675,558	5.29	3,657
2019	708,780	5.24	3,813
2020	739,301	5.05	3,987

Note: Details regarding the City's outstanding debt can be found in the notes to financial statements.

- (1) Amounts include deferred bond premiums
- (2) See Table of Assessed Value and Estimated Value of Taxable Property
- (3) Population data based on U.S. Census Bureau: American Community Survey estimates (see table 16)

Table 15

## CITY OF WORCESTER, MASSACHUSETTS

**Legal Debt Margin**  
 Last Ten Fiscal Years  
 (amounts expressed in *thousands*)

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$	596,415	596,415	608,682	608,682	580,797	580,797	611,883	611,883	666,823	666,823
Total net debt applicable to limit *		<u>342,654</u>	<u>320,926</u>	<u>340,605</u>	<u>447,418</u>	<u>430,622</u>	<u>473,826</u>	<u>417,579</u>	<u>461,646</u>	<u>471,775</u>	<u>495,169</u>
Legal debt margin	\$	<u>253,761</u>	<u>275,489</u>	<u>268,077</u>	<u>161,264</u>	<u>150,175</u>	<u>106,971</u>	<u>194,304</u>	<u>150,237</u>	<u>195,048</u>	<u>171,654</u>
Total net debt applicable to the limit as a percentage of debt limit		57.45%	53.81%	55.96%	73.51%	74.14%	81.58%	68.24%	75.45%	70.75%	74.26%

## Legal Debt Margin Calculation for Fiscal Year 2020

Equalized valuation - real estate and personal property (January 1, 2018)	\$	13,336,463	
Debt limit - 5% of equalized valuation			666,823
Total bonded debt (including authorized and unissued of \$698,477)	\$	1,410,861	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(475,112)	
Less bonded debt authorized but not yet issued which is outside the debt limit		<u>(440,580)</u>	<u>495,169</u>
Legal debt margin	\$		<u><u>171,654</u></u>

\* The City may authorize certain debt prescribed by statute and referred to as inside debt up to 5% of the equalized valuation.



Table 16

## CITY OF WORCESTER, MASSACHUSETTS

**Demographic and Economic Statistics**

Last Ten Fiscal Years

Fiscal Year	Population		Per Capita Income		Personal Income (amounts expressed in thousands) (5)	Median Age		Public School Enrollment (6)	City's Unemployment Rate (7)
2011	179,994	(1)	24,326	(3)	4,378,534	34.1	(1)	23,490	9.4 %
2012	180,519	(1)	24,544	(3)	4,430,658	34.3	(1)	24,360	8.8
2013	181,473	(1)	24,470	(3)	4,440,644	34.0	(1)	24,740	9.1
2014	181,901	(1)	24,330	(3)	4,425,651	33.6	(1)	24,562	7.6
2015	182,511	(1)	24,447	(3)	4,461,846	33.5	(1)	25,254	6.5
2016	183,382	(1)	24,555	(3)	4,502,945	33.8	(1)	25,076	5.0
2017	183,677	(1)	25,224	(3)	4,633,069	34.0	(1)	25,479	5.0
2018	184,743	(1)	26,283	(3)	4,855,600	34.2	(1)	25,306	4.9
2019	185,883	(2)	26,973	(4)	5,013,822	34.9	(2)	25,415	3.9
2020	185,428	(2)	27,884	(4)	5,170,474	34.5	(2)	25,044	20.6

(1) Source: U.S. Census Bureau: American Community Survey (ACS) *demographic and housing 5 yr estimates* projected from 2010 U.S. Census.

(2) Source: U.S. Census Bureau: American Community Survey (ACS) *demographic and housing 1 yr estimate*

(3) Source: ACS *per capita income in past 12 months 5 yr estimates*

(4) Source: ACS *per capita income in past 12 months 1 yr estimate*

(5) (Population x per capita income / 1000)

(6) Source: Massachusetts Department of Elementary and Secondary Education

(7) Source: Massachusetts Department of Labor and Workforce Development

Table 17

## CITY OF WORCESTER, MASSACHUSETTS

## Full Time Employees

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	167	175	181	194	189	195	193	197	201	202
Public safety										
Police										
Officers	409	418	426	441	427	441	461	447	461	449
Civilians	49	49	49	51	52	50	51	50	51	47
Fire										
Officers	399	413	393	407	386	391	404	403	409	410
Civilians	8	10	9	10	10	10	10	10	10	12
Other public safety	105	110	112	114	111	113	111	103	108	114
Health and human services	54	55	56	57	53	63	67	62	72	73
Education	3,478	3,456	3,499	3,552	3,565	3,637	3,667	3,727	3,863	3,988
Public works	163	158	168	171	172	169	173	172	164	167
Culture and recreation	117	115	122	130	135	134	141	140	142	139
Water	102	100	107	109	111	102	104	108	99	98
Sewer	52	50	51	53	51	47	52	52	54	54
Airport	20	—	—	—	—	—	—	—	—	—
Golf course (nonmajor)	2	2	2	2	2	2	2	2	2	2
Totals	5,125	5,111	5,175	5,291	5,264	5,354	5,436	5,473	5,636	5,755

Source: Payroll database as of June 30th of each respective fiscal year

Table 18

## CITY OF WORCESTER, MASSACHUSETTS

**Principal Employers**

Current year and nine years ago

Employer	Type of business	2020			2011		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care, Inc.	Healthcare	11,491	1	10.85%	13,466	1	17.97%
City of Worcester	Government and education	5,755	2	5.43	5,125	3	6.84
Umass Medical School	Education	4,339	3	4.10	5,914	2	7.89
Reliant Medical Group	Healthcare	2,681	4	2.53	N/A	N/A	N/A
Saint Vincent Hospital	Healthcare	2,366	5	2.23	1,728	7	2.31
The Hanover Insurance Group, Inc.	Insurance	1,800	6	1.70	1,850	4	2.47
Saint Gobain Abrasives, Inc.	Abrasives manufacturer	1,500	7	1.42	1,800	6	2.40
Seven Hills Foundation, Inc.	Health and human services	1,367	8	1.29	N/A	N/A	N/A
Worcester Polytechnic School	Education	1,328	9	1.25	N/A	N/A	N/A
College of Holy Cross	Education	1,147	10	1.08	N/A	N/A	N/A
Fallon Health, Inc.	Healthcare	N/A	N/A	N/A	1,841	5	2.46
Polar Beverages	Bottling company	N/A	N/A	N/A	1,400	8	1.87
Quinsigamond Community College	Education	N/A	N/A	N/A	1,119	9	1.49
Simplex Grinnell	Communication Systems	N/A	N/A	N/A	1,000	10	1.33

Sources: 2019 and 2011 - Worcester Business Journal

Table 19

## CITY OF WORCESTER, MASSACHUSETTS

## Operating Indicators by Function

Last Ten Calendar Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Total arrests	7,584	7,174	6,785	7,385	8,124	6,254	5,964	6,084	5,358	4,903
Different individuals arrested	5,837	5,591	5,204	5,627	5,935	4,847	4,439	4,438	3,985	3,706
Arrests for selected charges										
Drug-related	844	705	719	850	762	655	769	799	683	607
Assault and battery	1,465	1,409	1,309	1,327	1,266	952	863	814	693	682
Disorderly conduct, disturbing peace	1,222	1,054	920	916	888	672	626	590	563	536
Prostitution and related	133	156	121	181	160	86	150	51	134	113
Sexual assault, including rape	38	20	28	28	23	22	32	25	34	23
Armed robbery	59	70	47	64	48	38	39	45	29	23
Murder/manslaughter, attempted murder	10	15	15	7	11	3	4	3	1	7
Fire (source: WFD)										
Total Incidents	27,605	27,782	28,348	28,333	30,099	31,933	33,373	33,162	33,485	31,815
Selected incidents										
EMS	20,285	19,654	20,472	20,307	21,707	22,779	24,408	24,117	22,767	21,897
Structure fires	732	728	845	779	799	828	829	855	968	889
Arson fires	25	30	43	29	18	19	19	16	21	13
Vehicle fires	96	123	102	82	78	91	94	71	93	75
Good intent	1,571	1,621	1,819	2,137	2,127	2,165	1,959	2,190	2,356	2,169
False alarm	2,926	3,177	2,871	3,017	3,070	3,214	3,287	3,148	3,627	3,499
Highways and streets (source: DPW)										
Streets and resurfacing	11	11	16	21	12	12	19	19	20	20
Potholes repaired	14,932	12,954	9,392	9,264	12,320	18,095	27,706	12,154	13,117	12,660
Sanitation										
Refuse collected (tons/day)	82.30	81.83	81.71	79.30	79.22	80.97	83.93	83.37	86.24	86.00
Recyclable collected (tons/day)	34.71	36.1	35.42	36.4	37.13	37.91	39.58	39.26	39.62	40.00
Water										
New connections	48	95	104	97	98	109	103	121	121	204
Water main breaks	52	74	29	55	42	80	48	42	37	38
Average daily consumption (thousands of gallons)	21,225	22,099	22,539	22,110	21,700	22,682	22,945	21,707	20,450	19,778
Wastewater										
Average daily sewage treatment (thousands of gallons)	31,160	26,550	33,000	25,200	22,300	25,060	25,145	24,109	23,310	24,600

Source: Various government departments.

Table 20

## CITY OF WORCESTER, MASSACHUSETTS

## Capital Asset Statistics by Function

June 30, 2020

## Function

Education:

Schools	46
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Public safety

Police stations	1
Fire stations	10

Culture and recreation

Libraries	4
Parks	61
Parks and playground acreage	1,327
Municipal cemeteries	1
Lakes	4
DCU Center	
Arena seating capacities	
Center stage	14,595
End stage	14,524
Basketball	13,270
Hockey with open curtain	12,167
Hockey with closed curtain	5,464
Ice show	12,194
Convention	
Exhibition halls	2
Ballrooms	2
Lounges	2
Other meeting rooms	5

Public works

Streets:	
Streets (miles)	437
Sidewalks (miles)	489
Streetlights	13,579
Water:	
Main pipes (miles)	631
Fire hydrants	5,892
Reservoirs	10
Reservoir gallons of capacity (in thousands)	7,379,938
Sewers:	
Sanitary sewers (miles)	399
Combined sewers (miles)	61
Surface sewers (miles)	371
Municipal parking garages:	
Capacity - cars	
Pearl Elm	819
Federal Plaza	511
Major Taylor Boulevard	983
Union Station (1)	500
Worcester Common (1)	500

Source: Various government departments

# **GLOSSARY**

## GLOSSARY

**Accounts Payable** – Accounts payable include warrants payable for invoices and payroll, reserve for prior year encumbrances, and payroll withholdings outstanding at year-end. Accounts payable are reflected as current liabilities on the Basic Financial Statements.

**Accrual Basis of Accounting** – Under the accrual basis of accounting, revenues are recognized when earned and expected to be realized rather than when received or currently available. Expenses are recognized in the period they are incurred rather than when paid. The matching of expenses incurred in the same period as when revenues are earned provides a consistent measurement of the change in the net position that is not influenced solely by the timing of cash inflows or outflows (Exhibit 2 of CAFR). The measurement focus is based on economic resources which have a longer view than the current resources measurement used in the Governmental Funds Financial Statements. Consequently assets, liabilities and deferred inflows/outflows of resources are reported on the Statement of Net Position (Exhibit 1) that is not reported on the Governmental Funds Balance Sheet (Exhibit 3).

**Accrued Liabilities** –Accrued liabilities represent expenses incurred but not paid at year end. The adjustment of the liability and corresponding expense is a step in the accrual basis of accounting to match the expense incurred to the period being reported. The liability and expense adjustments are made to the Government-Wide Financial statements in Exhibit 1 and Exhibit 2, respectively. The accrued liabilities included in the City’s financial statement include accrued interest on debt and estimated health insurance claims incurred during the year but reported and processed after year-end.

**Basic Financial Statements** – The Basic Financial Statements is a series of financial statements, required by GASB, grouped as Government-Wide Financial Statements (CAFR Exhibit 1 and 2) and Fund Financial Statements (Exhibits 3 through 11) and the related footnotes (CAFR pages 49 - 129). Each statement uses a prescribed basis of accounting and measurement focus.

**Budgetary Basis of Accounting** – The General Fund in the City’s accounting system is accounted for using the Budgetary Basis of accounting which is essentially a modified cash basis for revenue and encumbrance system for expenses, the purpose of which is to match the expenditure with the budget period as required by state law. Revenue is reported as collected with accruals for some reimbursable state and federal funds. Expenses are matched against the budget year through warrant payables and a reserve for encumbrances. The report on the General Fund using the Budgetary Basis, a required supplementary report by GASB, is reported in the CAFR on pages 130 through 137.

**Capital Assets** – Capital assets are included on the Statement of Net Position in the Government-Wide Financial Statements (Exhibit 1). These are assets that provide an economic resource over a longer term, generally with a life of over two years and a cost of \$50,000 or more. Capital assets include both depreciable assets (building construction and improvements, infrastructure, equipment, trucks) and non-depreciable assets (land, construction-in-progress). These assets are generally acquired with debt and sometimes with local, state and federal funds. Assets are depreciated over their class useful life as shown in footnote 1 on page 56, “accounting policies”. Details of changes in capital assets for the year by class are reported in footnote 11 beginning on page 94.

**Certificate of Achievement for Excellence in Financial Reporting** - The CAFR is submitted to the GFOA for review before December 31<sup>st</sup>, unless on extension. The GFOA will issue a certificate of achievement if reporting criteria are met. The certificate for the prior year CAFR is included in the current

## GLOSSARY

year CAFR and can be found on page 9. The certificate adds to the reliability of the financial statements when used by third parties.

**Comprehensive Annual Financial Report (CAFR)** – The CAFR includes the Basic Financial Statements and other Required Supplementary Information and components as prescribed by GASB 34. Also included is additional information prescribed by the GFOA including supplementary statements and schedules, a section containing statistical data, a transmittal letter, and a copy of the GFOA certificate from the prior-year. The report is provided to third parties and available to the public on the City's website.

**Current Financial Resources Measurement Focus** – The Governmental Funds Financial Statements (Exhibits 3 and 5) included in the Basic Financial Statements uses the current financial resources measurement focus where the reporting focuses on short-term inflows and outflows of available resources. The information may be useful in evaluating the government's near-term financial requirements. A modified accrual basis of accounting is used in the measurement of resources. For example, the collection of property taxes 60 days after year-end are realized as available resources and included in revenue and reported as an asset on the Balance Sheet as accounts receivable. The treatment of bond proceeds in the Capital Projects Fund is such that they are considered revenue and reported in the other financial sources section because they are current inflow of resources. The related capital outlays and principal debt payments are expenditures as they are considered near-term outflows of resources.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position and/or balance sheet 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 primary government has three types of items that qualify for reporting in this category. Deferred inflows related to pensions and OPEB are reported in the government-wide and proprietary funds financial statements. The instances of deferred inflows related to pensions and OPEB related to actuarial gains such as gains on experience that are ratably recognized, usually averaging six years. The primary government also has deferred inflows which arise under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and will be recognized in the future because they are considered not currently available for recognition under the current financial resources measurement focus.

**Deferred Outflows of Resources** – A reporting term prescribed by GASB Statement No. 63. In addition to assets, the Government-Wide Statement of Net Position (Exhibit 1) and the Governmental Funds Balance Sheet (Exhibit 3) 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. For example, the City has deferred outflows related to pensions and OPEB which are reported in the government-wide and proprietary funds financial statements. This includes deferring the recognition of losses from changes of actuarial assumptions and investment earnings falling short of the expected return. Both are the result of the annual actuarial valuation which



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are capitalized and recognized ratably over an extended period of time; five years for deferred investment gains and losses and approximately six years for changes in the actuarial assumptions.

**Deficit Balance** – A deficit balance is the accumulation over time of expenses exceeding revenues that result in liabilities exceeding assets. A deficit in the Statement of Net Position (Exhibit 1) is when the net of Assets plus Deferred Outflows less Liabilities less Deferred Inflows is negative. In the Governmental Funds Financial Statements (Exhibit 3) it is not unusual for capital project fund types to have a negative fund balance because temporary loans in the form of bond anticipation notes (BAN) are not considered resources (i.e. revenue) until the bonds are issued in the subsequent year but as liabilities. A deficit in the Statement of Net Position (Exhibit 1) indicates that the measurement of revenue and expenses over time was in deficit. This usually occurs when there are liabilities for which there is not a corresponding asset, such as the liabilities related pensions and OPEB or the balance in the pension obligation bonds. In these cases expenses have been previously recognized but not provided for with revenue and a future obligation is recognized thereby creating a deficit net position. In analyzing a deficit balance it is important to understand the source and the impact the future obligation will have on short term resources. In the case of the pension liability, continued shortfalls in investment income or increase in benefits through low mortality rate coupled with a statutory deadline to fund unfunded liabilities may put pressure on future budgets. In the case of OPEB, increasing inflation costs in the health industry through advancement in health service coupled with low mortality rates could drive up the pay-as-you-go amounts and put pressure on future budgets.

**District Improvement Financing (DIF)** – Geographic zones in a municipality identified for redevelopment usually with public and private investments where new revenue streams identified from the redevelopment, most often in the form of tax increment financing agreements, are designated to finance the debt incurred by the municipality for its cost related to the redevelopment.

**Economic Resources Measurement Focus** – The Government-Wide set of financial statements as required by GASB, is measured on economic resources where the investment in capital is considered a resource in addition to the current resources such as labor and supplies. This includes general long-term capital debt-liabilities resulting from capital asset acquisitions that have long-term economic benefit. Other examples include long-term receivables that are reported as resources such as the long-term receivable from the MSBA which has been recognized as income when it was realized and is part of the net position. Conversely, future uses of resources in the form unfunded pension and OPEB liabilities for past service costs are recognized as liabilities and have a negative effect on the net position when using this measurement focus.

**Equalized Valuation (EQV)** – Equalized valuation is the determination of an estimate of the full and fair cash value of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

**Fiduciary Net Position / Fiduciary Accounts** – Fiduciary Funds Financial Statements are required by GASB 34 in the Basic Financial Statements. Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The pension and OPEB trust funds, created

## GLOSSARY

to provide retirement benefits for its employees are reported in the aggregate in the Fiduciary Fund Financial Statements as shown on Exhibits 10 and 11. Also shown are agency funds for the resources derived from student activity accounts. Fiduciary funds are not included in government-wide statements because they are not activities of the government. However, a liability owed by the government for its share of the net pension liability and the net OPEB liability is reported in the Government-Wide Financial Statements. The Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Except for the agency fund, revenues are recorded when earned and expenses are recognized when incurred. Agency funds do not present the results of operations or have a measurement focus.

**Fiscal Year** – An entity’s financial performance is generally measured over a twelve month period or fiscal year. The City’s fiscal year begins July 1 and ends on June 30<sup>th</sup>. The financial statements reflect the results of operations over this twelve month period and report the assets and liabilities as of June 30<sup>th</sup> based on the accounting method and measurement focus used except the fiduciary funds financial statement of the Worcester Retirement System which is reported on a calendar year.

**Free Cash** – Free Cash is the amount of undesignated fund balance of the City’s General Fund, on a budgetary basis, that the Commonwealth of Massachusetts allows to be appropriated in the following fiscal year. The General Fund includes both the undesignated balance and the reserves for the Bond Rating Stabilization and Emergency Stabilization Funds. The year-end balance of the total fund is reflected on page 137 of the CAFR. The undesignated amount is adjusted by the Commonwealth before it is certified as Free Cash for appropriation. Adjustments include grant receivables received after September 30<sup>th</sup>, the reserve for abatements and exemptions (i.e. overlay), and unreconciled tax receivables. Free cash also includes the retained earnings in the Water, Sewer and Golf funds that are also available for appropriation for those enterprise funds. Amounts not appropriated remain in the accounts (e.g. undesignated fund balance, retained earnings) and become part of the following year’s Free Cash calculation.

**Fund Balance** – Fund balance is the term used in fund accounting to describe the unexpended balance remaining of a particular fund at a point in time. Fund accounting is the accounting system to track resources and their uses that are restricted by law or donors, such as granting agencies. Each fund is a self-balancing set of accounts with assets, liabilities, revenues and expenses. Assets less liabilities results in the fund balance. The statement of revenues and expenses reflects the change in the fund balance for the period. The fund balance may be available in future periods or may need to be returned to the source as in the case of used grant funds that have expired. GASB 54 requires that fund balances reported on the Government Funds Balance Sheet (Exhibit 3 of the CAFR) be classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

**Nonspendable** — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund). Generally the principal balance and any limitations on the income balance of the trusts are classified as nonspendable.

**Restricted** — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Most of the fund balances in the Special Revenue Fund for grants and revolving accounts are

## GLOSSARY

restricted funds. The positive fund balances for Capital Project Funds are also classified as restricted.

**Committed** — represents amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing City Council is the highest level of decision-making authority for the City that can, by adoption of an order prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation. The fund balances of the Receipts Reserved for Appropriation in the Special Revenue Fund and the fund balances in the Debt Service Fund are classified as committed.

**Assigned** — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. The governing City Council has the authority to assign fund balance (by adoption of an order) as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Currently no fund accounts are classified as assigned.

**Unassigned** — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund. In the General Fund the reserves for the Bond Rating Stabilization and Emergency Funds are included as unassigned as the amounts are not restricted to a specific purpose.

**Fund Financial Statements** - Under GASB 34 this is the second series of statements known as the Basic Financial Statements that focus on information about the government's major governmental and enterprise funds. It also includes statements about the government's fiduciary funds. It includes Governmental Funds, Proprietary Funds and Fiduciary Funds as shown in CAFR Exhibits 3 through 11.

**General Fund** – From the *Uniform Massachusetts Accounting System* manual: the General Fund is the largest and single most important fund of a local government. Most of a local government's revenue resources are accounted for in it and substantially all of the day-to-day departmental operating expenditures are financed and accounted for in it. The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund. Generally, all funds received by a governmental entity belong to the General Fund under G.L. c. 44, § 53, unless otherwise directed by Massachusetts General Laws or by Special Acts of the Massachusetts Legislature. The General Fund is considered an unrestricted operating fund. Grants must be separated as well as funds received in which the entity is acting as a trustee or agent. It is improper for a governmental entity to reserve General Fund monies in any other fund without proper authority granted by legislation or by the Director of Accounts. The principal revenue resources of the General Fund include real estate and personal property taxes (assessments for districts), motor vehicle and other excises, departmental receipts and state aid. With the exception of the portion of the annual budget which is funded through Enterprise and certain Special Revenue Funds, substantially all of the annual budget and recurring departmental expenditures are accounted for in the General Fund. The General Fund will also have transactions or transfers with other funds. The City has a target of maintaining a General Fund balance reserve that is 10.00% of budgeted revenue, except in response to a severe crisis, economic or otherwise.

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**General obligation bonds** – Debt backed by the full faith and credit pledge of the City and all of its available resources to repay holders of the bonds.

Current issue – bond proceeds are used to finance projects in the capital project fund.

Current Refunding – bond proceeds from current refunding bonds are used to refinance outstanding bonds subject to call by retiring the refunded bonds with the proceeds from the newly issued refunding bonds which has a lower interest rate.

Advanced Refunding – bonds proceeds from advance refunding bond sales are held in trust and make scheduled debt service payments on the refunded debt. The newly issued refunding bonds have a lower interest rate than the refunded bonds called.

**Government Finance Officers Association (GFOA)** - An association of government finance professionals. The GFOA provides publications, continuing education and the latest information on best practices. It also reviews and certifies the CAFR as meeting criteria for excellent reporting.

**Government-Wide Financial Statements** – This is the first series of financial statements in the Basic Financial Statements (CAFR Exhibits 1 and 2). The basis of accounting is the accrual basis and the measurement focus is the economic resources measurement focus. Governmental activities are reported separately from business-type activities (water, sewer, golf) and component units (WRA and UBWPAD).

**Governmental Fund Financial Statements** – This set of statements (CAFR's Exhibit 3 and 5) are required by GASB 34 and part of the Fund Financial Statements of the Basic Financial Statements. The governmental fund types include General Fund, Special Revenue Fund, Capital Projects Fund, Debt Service Fund, and Permanent Fund. Activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Those funds that meet the criteria of a major fund are reported in separate columns and nonmajor funds are aggregated into one column. The 28 nonmajor funds that are shown aggregated on Exhibits 3 and 5 are reflected in detail by fund type in the "Combining Statements" shown in Exhibits A-1 and A-2 starting on page 154. Separate accounting divisions are maintained within the Special Revenue, Capital Projects, Permanent Fund types whose names and descriptions are listed on page 150-152.

**Governmental Accounting Standards Board (GASB)** - An independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP). Some of the terms used in the CAFR are from the flowing GASB statements.

**GASB Statement No. 11** – Issued in 1990, *established measurement focus and basis of accounting.*

**GASB Statement No. 34** – Issued in 1999, *established a new reporting model for basic financial statements and required components* issued in the following order: Management's Discussion and Analysis (MD&A); Government-Wide Financial Statements; Fund Financial Statements; Notes to Financial Statements; and Required Supplementary Information (RSI).

**GASB Statement No. 54** – Issued in 2009 *clarified fund type definitions and provides clearer fund balance classifications.*

## GLOSSARY

**GASB Statement No. 63** – Issued in 2011 established the guidance for reporting *deferred outflows of resources, deferred inflows of resources, and net position* in a statement of financial position.

**GASB Statement No. 68** – Effective for years beginning after June 15, 2014 established new accounting and financial reporting standards for pensions.

**GASB Statement No. 75** – Effective for years beginning after June 15, 2017 established new accounting and financial reporting standards for postemployment benefits other than pensions (OPEB), replacing previously issued statement No. 45 that was effective for years after June 15, 1999.

**Independent Auditor's Report** – This is an opinion from an independent Certified Public Accountant that the Basic Financial Statements are fairly presented in all materially respects in accordance with Generally Accepted Accounting Principles. An unqualified opinion adds to the reliability of the financial statements when used by third parties.

**Internal Service Fund (ISF)** – This type of fund is used to report an activity that provides goods or services to other departments of the government. The City's self-funded health insurance program is an ISF designed to provide quality cost-effective benefits to eligible recipients in the City's departments. Under GASB 34, the ISF is reported in a separate column on the proprietary funds statement (CAFR Exhibits 7 through 9). The assets and net position of the ISF is included on the government-wide financial statements (Exhibit 1) and any doubling effect for the fact the expenses are also included in the government funds financial statements is eliminated when reporting expenses on Exhibit 2.

**Major Fund** – GASB 34 requires separate reporting of major funds in the Governmental Funds Financial Statements and Proprietary Funds Financial Statements. Nonmajor funds are consolidated but details are reported in supplementary statements and schedules. The General Fund is always considered a major fund. Other funds are classified as major funds upon passing two thresholds of the size of its total assets, liabilities, revenues or expenditures/expenses. In some cases where a fund meets the criteria of a major fund one year but not the next it will still be reported as a major fund for consistency purposes or until it is decided that its activities have diminished to nonmajor status for the foreseeable future. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**Measurement Focus** - What is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured (e.g. capital assets, debt) and when the effects of transactions and events involving those resources are recognized (e.g. depreciation, amortization of debt service).

**Modified Accrual Basis of Accounting** – The Governmental Funds Financial Statements (Exhibits 3 through 5) of the Basic Financial Statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. The focus is on short-term inflows and outflows of available resources. The City's accounting system uses a Budgetary Basis of Accounting. Adjustments are made to revenues for certain accruals where they are considered measurable and available. Property taxes and motor vehicle excise taxes collected within 60 days of year end are considered measurable and available and are therefore accrued at year end. Changes to the allowance for

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doubtful accounts also affect revenue as they are considered not available. Other revenue, such as prepaid taxes, not considered available is recorded as deferred outflows of resources.

**Net Position / Total Net Position** – It is the residual amount of assets plus deferred outflows of resources less liabilities and deferred inflows resources reported on the Government-Wide Financial Statements (e.g. Exhibit 1) using the economic resources measurement focus. It is similar to equity in private sector reporting. It was previously reported as net assets (i.e. assets less liabilities) and now changed to net position under GASB 63 to account for the effect of deferred resources. Net position is further displayed in three components; net investment in capital assets; restricted net position and unrestricted net position. Over time increases or decreases in net position may serve as a useful indicator of the financial health of the City.

**Net Investment in Capital Assets** - This is the net position related to amounts spent on capital assets. The basic calculation is the gross investment in capital assets net of accumulated depreciation less outstanding debt attributable to the acquisition of the assets, excluding unspent short-term debt.

**Restricted Net Position** – The residual amounts of assets less liabilities that are restricted by outside parties for a specific future use such as grants and trusts. The Restricted Net Position cannot have a negative balance.

**Unrestricted Net Position** - It is the amount of Net Position not reported as Investment in Capital Assets or Restricted Net Position. A negative amount or deficit balance reflects liabilities and deferred inflows of resources that exceed the assets and deferred outflows of resources. A growing deficit balance may indicate a deterioration of financial health which may affect the budget process at some point when short-term outflows outpace or exceed short-term inflows requiring cuts in other areas.

**OPEB** – Other Postemployment Benefits (OPEB) are the other benefits besides pension payments that a retiree and spouse are entitled to receive at the start of retirement and continue usually until death. The City offers health insurance coverage until death and also a \$5,000 life insurance policy up until age 70. The City's contribution to the health premium cost is 75% and the life insurance is 50%. If a retiree enrolled in health insurance is eligible for Medicare then must enroll. The City offers several Medicare supplementary plans and is responsible for any Medicare Part B penalty assessed by the federal government on the individual. Currently the city is funding OPEB on a pay-as-you-go basis and making additional contributions to an OPEB Trust Fund.

**OPEB – the total OPEB liability** – GASB 75 requires that the present value of the future benefits of retirees, spouses and active employees be determined on an actuarial basis called the Actuarial Accrued Liability. The total OPEB liability is recognized on the employer's accrual basis financial statements for plans that are not administered through an irrevocable trust.

**OPEB – the net OPEB liability** – For plans administered through an irrevocable trust, the total OPEB liability is offset by the net position of the plan's fiduciary net position.

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**Payroll Warrants** - Amounts owed to employees for a payroll period that have been reviewed, approved for payment and entered on a disbursement warrant but that have not yet been disbursed. The warrant is disbursed on the scheduled pay date. The payroll warrant payable at year-end includes the pay period ending at year-end and for teachers it includes the amount remaining for the school year. Teachers are paid over a twelve month cycle for the school year and the amounts paid in July and August that relate to the prior school year are included in payroll warrants payable. Payroll warrants payable at year-end are grouped with accounts payable.

**Permanent Fund** - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Prior Year Encumbrances** – The City uses an encumbrance system to control the budget for the General and Enterprise Funds. Commitments in the form of purchase orders are approved and charged to the budget prior to the order of supplies or services. At year-end, open purchase orders are reserved and expensed thereby matching it with the budget. Prior year encumbrances are grouped with accounts payable on the Basic Financial Statements.

**Required Supplementary Information** – The statement of reporting as required by GASB includes Required Supplementary Information (RSI) in addition to the Basic Financial Statements. This includes the Management, Discussion and Analysis, a report on the General Fund under the legal level of control of the budgetary basis, certain prescribed schedules related to pension liability and expense, and schedules related to OPEB.

**Tax Increment Finance (TIF)** – An agreement between the municipality and property owner through tax exemptions for a period not to exceed 30 years in exchange for development and jobs creation or retention. Tax exemptions are provided on the incremental increase in property value. At the end of the TIF term the municipality will realize the benefit of increased tax revenue.

**Total Assessed Valuation (TAV)** - The full and fair cash value of taxable real and personal property in the community are included on the annual property tax assessment roll prepared by the city assessor which includes all taxable real and personal property, its ownership, fair market value, and usage classification as of January 1 in order to assess taxes. Assessors must classify each real estate parcel as residential, open space, commercial or industrial as of January 1, based on definitions found in the tax classification law.

**Tax Levy** - The property tax levy is the revenue a community raises through real and personal property taxes each fiscal year when it sets its tax rate. The property tax levy is usually the largest source of revenue cities and towns have to fund their annual budgets. The levy limit is the maximum dollar amount a city or town can levy in a given fiscal year. It defines the maximum amount of property tax revenue a community will ordinarily have to support its annual budget and is the primary limitation established by Proposition 2½. The levy ceiling is the maximum amount the levy limit may be in a given fiscal year. It is a constraint on the size of the annual levy limit and is a secondary limitation established by Proposition 2½. The property tax levy cannot exceed the levy limit for the fiscal year which is the prior year levy plus a 2 ½ percent increase plus new growth. The levy limit cannot exceed the levy ceiling for the fiscal year which is 2 ½ percent of the total assessed valuation.

**Uniform Massachusetts Accounting System (UMAS)** – Massachusetts General Laws (G.L.) c. 44, § 38 requires the Director of Accounts in the Department of Revenue to *prescribe uniform accounting systems*

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*for local governmental entities.* A three tier account classification system is used including Fund, Account Type and Subcategory.

**Warrants Payable** - Amounts owed for goods and services received that have been reviewed, approved for payment and entered on a disbursement warrant but that have not yet been disbursed.