



The City of **WORCESTER**

Annual Comprehensive Financial Report

For the Year Ended June 30, 2021



The City of **WORCESTER**

Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

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

Robert V. Stearns, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

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INTRODUCTORY SECTION



January 21, 2022

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

The Annual Comprehensive Financial Report (ACFR) of the City of Worcester, Massachusetts (the City) for the fiscal year ended June 30, 2021 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, 2021 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, 2021. 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 heart of the Commonwealth. 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 206,518 according to the U.S. Census Bureau's 2020 federal census.

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, sales and cannabis excise 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 134 through 141 as part of required supplementary information.

Local economy

According to the state's labor market information for calendar year 2020 Worcester has over 7,300 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 \$6.2 billion. Employment for calendar year 2020 was over 97,000 with health and education making up the largest percentage at approximately 50% of all employment followed by trade, transportation and utilities at 11% of the workforce, professional and business services 10%, leisure and hospitality 6%, financial 6%, and manufacturing 5%.

Worcester is home to eight colleges and universities with over 35,000 full and part-time students and over 10,000 employees. Also located within Worcester are two major hospitals serving central Massachusetts. According to the Worcester Business Journal's October 25, 2021 report the UMass Memorial Health employs 14,600 in the Central Mass. Region, Reliant Medical Group 2,807, and St. Vincent Hospital 2,450. The school district and the City of Worcester also have a significant economic presence employing over 5,700 employees including teachers, professionals and support staff.

The U.S. Census Bureau reported that Worcester's median household income (in 2019 dollars) for the five year average from 2015-2019 was \$48,139 with per capita income in the past 12 months (in 2019 dollars) of \$27,884 based on 71,595 households compared to \$81,215 for the Commonwealth based on 2.6 million households and \$62,843 on a national level. According to the state's school district profiles, 64% of the 23,986 enrollment at Worcester Public Schools for the school year 2020-2021 are considered economically disadvantaged compared to the state average of 37%. In addition, the large numbers of college students residing in the city also have an effect by lowering the average income levels.

Unemployment rates decreased in fiscal 2021 after a recovery from a significant increase in unemployment at the end of fiscal 2020 and during the first wave of the COVID-19 pandemic when pursuant emergency orders from the Governor facilities of businesses not providing essential COVID-19 services were ordered closed and stay at home advisories were issued that had a major impact on the local economy. Massachusetts reopened its economy in four phases between May 2020 and August 2020. The local unemployment rate was 7.0% at June 30, 2021 compared to 17.4% in the prior year. By comparison for the same periods the state's unemployment rate was 5.4% and 14.8%, respectively and the national average was 6.1% and 11.2%, respectively.

Assistance from the federal government to the City totaled \$305 million to address current and future impacts of the pandemic. This includes amounts to be reimbursed from FEMA for emergency costs incurred in fiscal 2020 and 2021, funds appropriated in fiscal 2020 from HUD allocations for emergency grants provided to local businesses, emergency shelter grants, grants from the Coronavirus Relief Fund to both the City and the school district, three rounds of grants to the school district from Elementary and Secondary School Emergency Relief fund and grants to the City allocated from the American Rescue Plan Act. In addition businesses and individuals received assistance through other COVID related programs for unemployment, paycheck protection, and stimulus checks for individuals.

Worcester's total taxable assessed property value increased to \$15.8 billion in fiscal 2021 based on the legal assessment date of January 1, 2020. Values increased \$1.2 billion or 8% more than the previous year. Tax-exempt real property represented 27% of the total assessed values at \$5.9 billion and decreased 0.3% 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, 2021, a sample of 2.0 million square feet of office space in Worcester was 83% occupied compared to 87% in the prior year.

Major Development Projects

In fiscal 2021 the City substantially completed the construction of its new AAA minor league ballpark named Polar Park and had its inaugural home game on May 4, 2021. Polar Park has a capacity of 10,000 and is located in the Canal District near the center of the city. The total cost through fiscal year 2021 of the substantially completed

stadium was \$129 million and the cost to acquire land in an expanded redevelopment footprint totaled \$21.6 million including the cost to relocate prior occupants. Other costs incurred to date include the site preparation for private development for the left field building and south of Madison parcels that totaled \$5.6 million, the construction in progress of the new garage (\$12.9 million costs to date of a total estimate of \$23 million) and of Pickett Plaza, a municipal parking lot adjacent to Polar Park that is being transformed into a public plaza (\$0.6 million to date of a \$3.5 million state grant funded project).

District improvement financing (DIF) will be used to pay the debt service over thirty years. New revenue generated will include incremental real estate taxes for the new growth property taxes generated by redevelopment in the district improvement finance area, rent income from the baseball team, parking, advertising, food excise and other ancillary income. A future capital replacement and repair fund was established under the team lease with a facility charge allocated on game tickets. Recently the City announced the formation of the Worcester Ballpark Commission to oversee Polar Park.

The City has authorized loan orders totaling \$147 million, the state is providing \$32.5 million in Massworks grants for the construction of a new parking garage and streetscape redevelopment, there is another \$3.5 million from a Massworks grant for the development of Pickett Plaza, direct team contributions to date totaled \$4 million, and other resources generated from the land acquired in the district of approximately \$4.6 million. The state is also providing tax credits that support the development of market rate housing within the district. Additionally, the state has made major traffic improvements in the area including the redesign of Kelly Square for better traffic flow.

Private development within the ballpark district, incentivized by tax increment financing agreements, are expected to be completed in fiscal years 2022 through 2025 providing revenue sources to the ballpark DIF through incremental tax receipts. This includes the construction of two office buildings not less than 180,000 square feet, two market-rate residential buildings not less than 350 units, and one hotel building. Approximately 67,000 square feet of first-floor retail/restaurant space will be distributed among the buildings. The geographical area of the DIF expanded and other private redevelopment is expected to generate additional income for the ballpark DIF district. Other new investment totaling \$100 million is planned on surplus sites initially acquired by the Worcester Redevelopment Authority and on the former site of Table Talk Pies manufacturing facility who recently relocated to a new facility within the City. The redevelopment plans include the development of new mixed-use and mixed-income residential apartments with street level retail.

Other ongoing projects within the City included the rehabilitation of the former county court house into market rate apartments that changed the previously unused historical building to residential use; construction of two facilities at a new bio-manufacturing park is underway that will result in 200,000 square feet of new commercial space at a cost of \$100 million of private investment that will create 250 jobs and add new taxable commercial properties to the tax rolls. Local colleges, although exempt from taxation, continue to provide major development in the City including UMASS Medical School that recently completed construction of a new \$75 million outpatient healthcare clinic for veterans and started construction on a nine-story 350,000 square foot research and education building at a cost of \$325 million; Assumption College completed the construction on a 41,000 square foot health sciences facility specializing in teaching spaces for nurses with a cost of \$23 million; Holy Cross continued construction of a new \$107 million performing arts center; Worcester Polytechnic Institute continued construction of an \$80 million 100,000 square foot building that will allow researchers and educators to work with partners in industry, governments and academia; and Worcester State University has plans for two major projects with estimated costs of \$40 million each. Becker College permanently closed after the spring semester due to falling enrollment and struggles through the pandemic and some of its properties have been recently sold to be repositioned as taxable residential properties while other properties have been purchased by the City which would be used by the city and school department as well as converting parcels to recreational open space. Clark University recently announced a plan to spend \$100 million on capital projects in Worcester including space to accommodate video gaming design educational programs it absorbed from the closed Becker College.

Union Station is an intermodal transportation facility of Central Massachusetts owned and operated by the Worcester Redevelopment Authority, a component unit of the City, and a registered historical building. Rail line improvements by the Massachusetts Bay Transportation Authority through a federally funded project was approved in fiscal 2021 to add a middle platform and make other renovations to improve passenger access and to enable multiple trains to stop at the station with an estimated project cost of \$48 million and federal funding of approximately \$29 million.

The City continues to invest in its elementary and secondary educational facilities through the Massachusetts School Building Authority (MSBA) that subsidizes building construction and the replacement of doors, windows, heating and roofs in which the city and state share the cost. Since 2006 the City has completed construction of three new high schools and one elementary school including a 400,000 square foot technical high school in 2006 with a total cost of \$88.9 million and a 12% cost share to the city, a 190,000 square foot high school in 2011 with a total cost of \$68.5 million and a 33% cost share to the city, a 112,000 square foot elementary school in 2017 with a total cost of \$52.5 million and a 38% cost share to the city, and a 360,000 square foot high school to be opened in the fall of 2021 with a total cost of approximately \$210 million and a city cost share of 55%. Additionally in fiscal 2021 the city was accepted by the MSBA in August 2020 with a grant of up to \$125 million for the construction of a 422,000 square foot high school with an estimated total cost of \$293 million. Since 2012, the City has replaced windows, doors, heating and roofs at 31 schools under the MSBA's accelerated repair program with a total cost of \$62 million and an average city cost share of 27%.

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 2021 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.

The City's financial plan sets a general fund reserves target of 10% of revenue, prefunds debt service for the construction of two new high schools, an update to 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 irrevocable trust fund for OPEB. 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. In fiscal 2021 the prefunding of debt service related to the planned construction of a new fire station was approved.

As of June 30, 2021 the City's balance in its unassigned general fund reserves totaled \$70 million and was 9.8% of general fund revenues. During 2021 the City continued to make contributions to finance the new high school construction stabilization fund with transfers totaling \$5.4 million resulting in a cumulative balance of \$13.6 million at June 30, 2021. Debt service supported by the general fund excluding pension obligation bonds totaled 6.1% of the budget.

General fund revenue sources to the City during fiscal 2021 included 47.1% from the property tax levy, 6.2% from local and other sources and 46.7% from state aid. The City did not tax all of its levy capacity and had a total \$20.5 million in untaxed levy capacity at the end of fiscal 2021 compared to \$19.5 million for fiscal 2020. Total combined reserves in the unassigned general fund and the debt service fund increased \$25.7 million to \$99.9 million or 13.8% 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 \$6.7 million of designated hotel and meals taxes in fiscal 2021, an increase of

\$4.9 million from the prior year primarily because of adjustments for prior year receipts of state and local hotel and meals excises. The CitySquare DIF received \$3.6 million from related TIFs for the year ended June 30, 2021 to fund debt service that totaled \$4.1 million for fiscal 2021. There was an unused fund balance of \$0.2 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 \$147 million. For fiscal 2021 there were nineteen TIF/TIE plans that were active during the year and eight other projects that are underway or planned and will receive tax exemptions in the future. For the year ended June 30, 2021, the City received \$4.3 million in real estate taxes and provided \$4.3 million in exemptions related to the nineteen projects receiving exemptions.

The City has invested over \$93 million in energy improvement programs between 2011 and 2021 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 \$2.1 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 \$423 million and is being amortized over the next thirteen years with annual actuarially determined contributions increasing 6.33% with the contribution in year 2034 decreasing by 70% before decreasing to a contribution equal to employer normal cost. Outstanding pension obligation bonds issued in 1998 had a balance outstanding on June 30, 2021 of \$92 million with full amortization over the next seven fiscal years. The actuarially determined net OPEB liability was \$1.5 billion which was based on an actuarial measurement date of June 30, 2021. The City continued during fiscal 2021 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 \$25.8 million.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its annual comprehensive financial report for the year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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

As of June 30, 2021

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

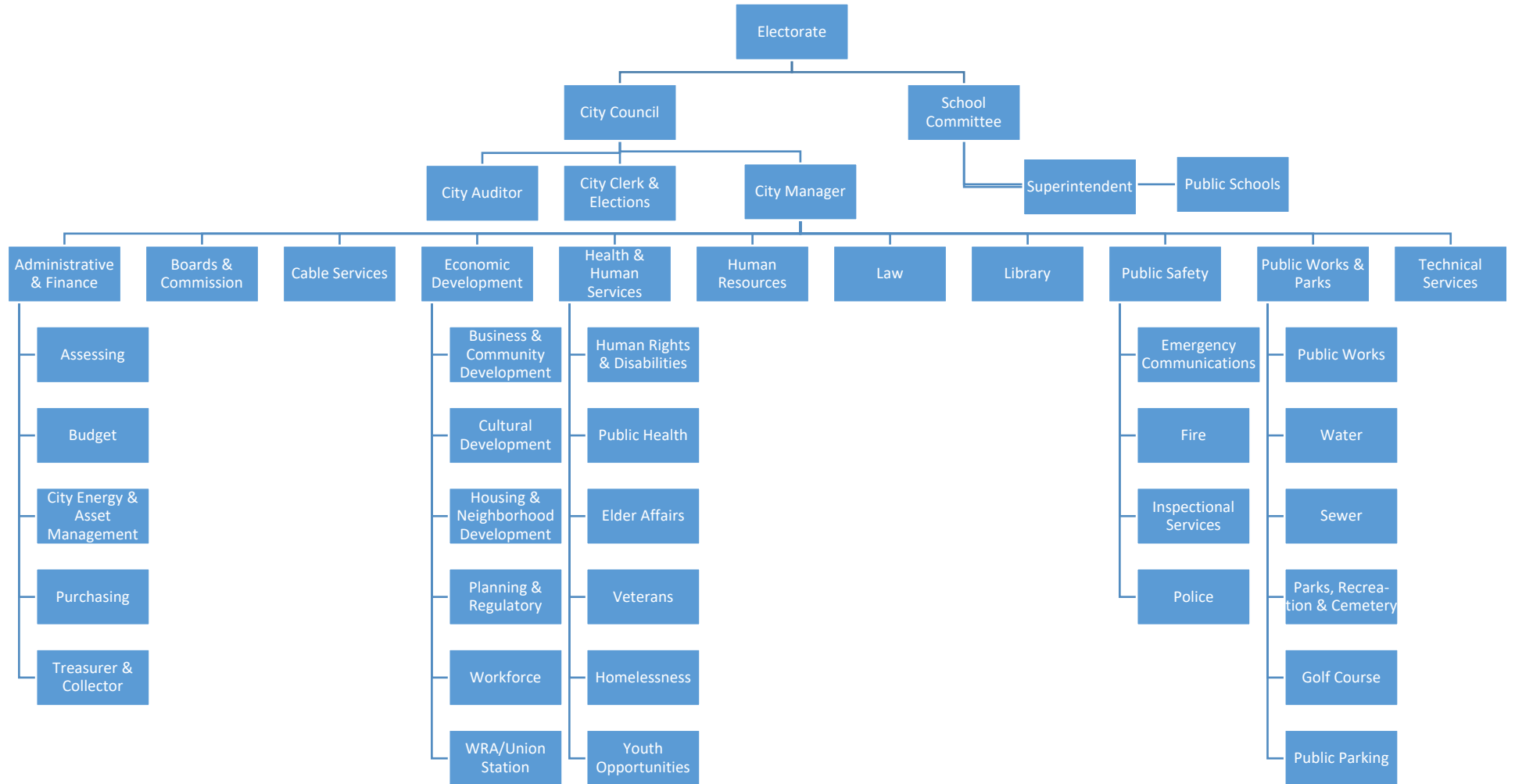
CITY MANAGER*
ASSISTANT CITY MANAGER
HEALTH & HUMAN SERVICES COMMISSIONER
FIRE CHIEF
INSPECTIONAL SERVICES COMMISSIONER
CITY SOLICITOR
COMMISSIONER OF DPW&P
CHIEF OF POLICE
EMERGENCY COMMUNICATIONS ACTING DIR.
CHIEF DEVELOPMENT OFFICER
CHIEF FINANCIAL OFFICER
SUPERINTENDENT OF SCHOOLS
CHIEF FIN. & OPERATIONS OFFICER W.P.S.
BUDGET DIRECTOR, W.P.S.
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
Jay J. Fink
Steven M. Sargent
Michael E. Shanley
Peter Dunn
Timothy J. McGourthy
Maureen F. Binienda
Brian E. Allen
Sara Consalvo
Jason L. Homer
Lisa Poske
Nikolin Vangjeli
Robert V. Stearns
Kimberly J. Laino
Eileen M. Cazaropoul
Timothy J. McGourthy
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 Organizational Chart

As of June 30, 2021





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Worcester
Massachusetts**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

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 aggregate 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, 2021 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 83.1%, 67.0% and 89.2%, respectively, of the assets, net position and operating revenues of the aggregate 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the District were not audited in accordance with *Government Auditing Standards*.

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.

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

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 the 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of June 30, 2021 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2020), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24, the City has restated its beginning net position for the correction of an error. The restatement is due to an error in the reporting of other postemployment benefits. Our auditors' opinions were not modified with respect to this matter.

During the fiscal year ended June 30, 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result of the implementation, certain significant accounting policies were updated as described in Note 1 to the financial statements. Our auditors' opinions were not modified with respect to this matter.

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 36) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 134 through 154) 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 and other auditors 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.

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, MA
January 21, 2022

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(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, 2021 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 2021 by \$890,238.
- The City's total net position decreased by \$23,029 or 2.7% during the year.
- The City's net pension liability \$422,895 plus deferred inflows net of deferred outflows related to pensions \$39,146 decreased over the prior year balances by \$12,757.
- The City's net OPEB liability \$1,508,114 less deferred outflows net of deferred inflows related to OPEB \$361,318 increased over the prior year as restated by \$121,290.
- The City's total capital assets (net) increased by \$175,448 or 13.6% during fiscal 2021.
- The City's total long and short-term debt including bonds, notes, capital leases, bond anticipation notes (BANS), unamortized bond premiums and unamortized deferred charges from debt refunding totaled \$1,023,864, an increase of \$137,782 or 15.5% during fiscal 2021. Long term debt increased \$69,813; BANS increased \$58,034; unamortized premiums increased \$13,107; offset by an increase in unamortized deferred charges from debt refunding of \$3,173.

Governmental Funds (Modified Accrual Basis) Financial Statements Highlights

- The City's general fund balance increased \$17,017 or 32% during the year to \$70,242.
- At the end of fiscal 2021, the unassigned portion of the general fund was \$70,242 or 9.8% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2021 was \$19,364. This amount is unassigned in the general fund and available for appropriation in fiscal 2022.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(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 2021. 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<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, 2021

(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 38 through 40 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, the school construction fund, the baseball stadium fund, and the city grants fund which are considered major funds and can be found on pages 41 and 43. Data from the 26 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 155 and 156 and the combining balance sheet and statement of revenue and expenditures are provided on pages 158 through 169.

The City adopts an annual budget for its general fund which is included in the required supplementary information shown on pages 134 through 141. The City also adopts annual budgets for each of its enterprise funds shown in the supplementary schedules on pages 170 through 172.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(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 45 through 47.

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 custodial 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 48 through 49.

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 50 through 133.

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 134 through 154.

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 155 through 177) and statistical section (pages 178 through 206). A glossary begins on page 207.

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, 2021

(In thousands of dollars)

case, liabilities and deferred inflows exceeded assets and deferred outflows by \$890,238 at the close of the most recent fiscal year and are summarized as follows:

Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020 *	2021	2020 *	2021	2020 *
Current and other assets	\$ 456,153	338,829	65,579	56,329	521,732	395,158
Capital assets	1,205,080	1,026,103	258,758	262,287	1,463,838	1,288,390
Total assets	1,661,233	1,364,932	324,337	318,616	1,985,570	1,683,548
Deferred outflows of resources	414,765	158,022	12,476	11,850	427,241	169,872
Long-term liabilities	2,563,198	2,191,252	254,282	238,369	2,817,480	2,429,621
Other liabilities	352,431	209,510	28,067	34,338	380,498	243,848
Total liabilities	2,915,629	2,400,762	282,349	272,707	3,197,978	2,673,469
Deferred inflows of resources	97,243	43,712	7,828	3,448	105,071	47,160
Net position:						
Net investment in capital assets	545,176	518,388	71,513	76,803	616,689	595,191
Restricted	72,424	62,968	-	-	72,424	62,968
Unrestricted	(1,554,474)	(1,502,876)	(24,877)	(22,492)	(1,579,351)	(1,525,368)
Total net position	\$ (936,874)	(921,520)	46,636	54,311	(890,238)	(867,209)

* As restated

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 (\$1,579,351). However, this balance includes outstanding pension obligation bonds of \$92,065 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 \$572 and \$374, respectively, at year-end. Additionally, the City has a note payable of \$1,538 for improvement to neighborhood assets it does not own and also owes \$356 for the 2008 Blackstone Valley Visitors Center which was destroyed by fire. Also on this list is \$24 debt for the airport which is no longer owned by the City. Absent the aforementioned debt there is a balance of (\$1,484,422) of unrestricted net position.

At the end of fiscal 2021, 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.

The long-term liabilities increased \$387,859 or 16.0% because of an increase of \$366,086 in the restated net OPEB liability as a result of changes in assumptions, primarily in the development of the claims curve, long-term

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(In thousands of dollars)

debt increased \$69,814 or 9.5% as a result of new and ongoing capital projects and a decrease in the net pension liability by \$58,095 or 12.1%. In addition, the unamortized bond premiums increased \$13,107 or 48.7% and other long-term liabilities decreased \$3,223.

Governmental activities had a net increase in other liabilities of \$142,921 or 68.2% as temporary notes payable increased \$64,091, unearned revenue increased \$55,309 attributable to unspent funds received from the federal government's American Rescue Plan and accounts payable and retainage payable increased \$21,215 attributable to increased borrowing for construction activity and other end of the year accrued expenses. Business-type activities had a decrease in other liabilities of \$6,271 or 18.3% due to the decrease in temporary notes payable by \$6,057.

Governmental activities capital assets net of depreciation increased by \$178,977 or 17.4% during fiscal 2021; additions to fixed assets totaled \$240,976 and depreciation totaled \$61,999. The largest acquisitions of capital assets during fiscal 2021 included construction of the new minor league baseball stadium with current year costs totaling \$88,626, construction-in-progress of a new parking garage, streetscape and other land improvements within the baseball district area \$15,130, construction-in-progress of the new South High School \$51,815, design and preconstruction of new Doherty high school \$9,688, other school construction \$9,822, ionization project totaling \$13,596 to improve air filtering and circulation in city and school buildings, the continued rehab of a municipal parking garage \$3,096, street and sidewalks \$13,589, parks improvements \$6,274, library renovations \$5,553, building energy improvements \$12,212, equipment \$7,055 and other capital assets acquired totaling \$4,520.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(In thousands of dollars)

The City's total net position decreased by \$23,029 or 2.7%, summarized as follows:

Statements of Activities

	Governmental activities		Business-type activities		Total	
	2021	2020 *	2021	2020 *	2021	2020 *
Revenues:						
Program revenues:						
Charges for services	\$ 41,401	43,682	81,955	75,593	123,356	119,275
Operating grants and contributions	478,498	452,784	-	-	478,498	452,784
Capital grants and contributions	55,153	53,126	1	599	55,154	53,725
General revenues:						
Property taxes	334,059	308,857	-	-	334,059	308,857
Motor vehicle excise taxes	16,929	16,509	-	-	16,929	16,509
Intergovernmental	44,931	44,942	-	-	44,931	44,942
Other	25,558	18,279	-	-	25,558	18,279
Total revenues	<u>996,529</u>	<u>938,179</u>	<u>81,956</u>	<u>76,192</u>	<u>1,078,485</u>	<u>1,014,371</u>
Expenses:						
General government	46,313	40,462	-	-	46,313	40,462
Public safety	177,056	227,154	-	-	177,056	227,154
Health and human services	25,079	15,877	-	-	25,079	15,877
Education	625,106	664,027	-	-	625,106	664,027
Public works	67,541	61,155	-	-	67,541	61,155
Culture and recreation	42,223	36,155	-	-	42,223	36,155
Community development	6,943	10,401	-	-	6,943	10,401
Interest on debt	22,670	20,253	-	-	22,670	20,253
Water	-	-	33,658	33,820	33,658	33,820
Sewer	-	-	53,430	52,119	53,430	52,119
Golf course	-	-	1,618	1,651	1,618	1,651
Total expenses	<u>1,012,931</u>	<u>1,075,484</u>	<u>88,706</u>	<u>87,590</u>	<u>1,101,637</u>	<u>1,163,074</u>
Change in net position before transfers and contributions	(16,402)	(137,305)	(6,750)	(11,398)	(23,152)	(148,703)
Transfers	925	683	(925)	(683)	-	-
Contributions	<u>123</u>	<u>244</u>	<u>-</u>	<u>-</u>	<u>123</u>	<u>244</u>
Change in net position	(15,354)	(136,378)	(7,675)	(12,081)	(23,029)	(148,459)
Net position – beginning	<u>(921,520)</u>	<u>(785,142)</u>	<u>54,311</u>	<u>66,392</u>	<u>(867,209)</u>	<u>(718,750)</u>
Net position – ending	<u>\$ (936,874)</u>	<u>(921,520)</u>	<u>46,636</u>	<u>54,311</u>	<u>(890,238)</u>	<u>(867,209)</u>

* As restated

Governmental activities – Governmental activities as shown in the statement of activities decreased the City's net position by \$15,354 for the year ended June 30, 2021 compared to decrease of \$136,378 for the prior year as restated. 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 \$996,529 and increased \$58,350 or 6.2% over the previous fiscal year.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(In thousands of dollars)

Governmental Activities Program Revenues

Charges for services totaled \$41,401 and represented 4.2% of total governmental activity revenues and decreased \$2,281 from the prior year. The largest source of charges for services is from public safety revenues which represented 56% of charges for services. For the year ended June 30, 2021 public safety charges for services totaled \$23,007 and increased 9.7% from the prior year. The largest increase was from police auxiliary which increased \$1,105 of which \$2,082 was attributable to fees for police details at a nurse's strike of a private hospital within the city. Educational charges totaled \$317 and decreased \$1,684 as services decreased for evening school, day care and school trade due to the pandemic. Parking fee revenue from municipal owned parking garages, lots and meters decreased 32% or \$1,339 and culture and recreation revenue decreased 75% or \$1,369 as recreational and leisure activities were negatively impacted by the pandemic. The city's convention and civic center did not generate distributable surpluses in fiscal 2021 due to the closure of the facility.

Operating grants and contributions revenue totaled \$478,498 representing 48.0% of total governmental activity revenues and increased \$25,714 or 5.7% over the prior year. The largest portion of operating grants is for educational purposes totaling \$435,614 or 91.0% of the total and increased \$17,155 or 4.1% over the prior year. The largest source of increase in educational operating grants was the state on-behalf of payments for teachers' pension expense a noncash in-kind revenue and expense that totaled \$94,563 and increased 17.5% or \$14,067 over the prior year. State aid for Worcester public schools under M.G.L. Chapter 70 totaled \$277,397 an increase of \$1,902 or 0.7% over the prior year due to a 2% increase in the per pupil rate and partially offset by a decrease in paid enrollment of 1%. State and federal educational grants totaled \$63,654, an increase of \$1,165. The school was in receipt of three Covid-19 educational related grants totaling \$12,160. School nutrition grant revenue decreased 59% or \$8,820. General government operating grants received in fiscal 2021 totaled \$17,392 and increased \$12,442 over the prior year due primarily to grant revenue from Covid-19 city grants totaling \$16,367 and which had unspent fund balances at the end of the fiscal year totaling \$3,309. Other operating grant revenue for community development, culture and recreation, public safety, public works and health and human services totaled \$25,492, a decrease of \$3,883 from the prior year due in part for community development related grants received in the prior year related to Covid-19 that provided grant assistance to small businesses.

Capital grants totaled \$55,153 and represented 5.5% of total governmental activity revenues increasing \$2,027 or 3.8% over the prior year. Educational capital grants for school building repair and replacement receipts totaled \$33,008, a decrease of \$4,076 from the prior year due to timing of the completion of projects and reimbursement of the grants. Public works received capital grants of \$4,569 for street resurfacing, parks and other projects, a recurring annual state grant that experienced an increase of \$412 from the prior year. The city received \$10,997 in fiscal 2021 and \$20,081 cumulatively 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 capital contributions totaling \$4,081 from the Worcester Red Sox for the baseball stadium. The city received a contribution of \$1,000 for the continued renovation work on the main public library.

Governmental Activities General Revenues

Property tax revenue totaled \$334,059 and represented 33.5% of total governmental activity revenues and increased \$25,202 or 8.2% primarily because of additional commitments for tax increases and tax on new growth. The increase over prior year tax commitments totaled \$7,389 or 2.3% and taxes on new growth totaled

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(In thousands of dollars)

\$7,303 or 2.3%. In addition there were tax collections totaling \$8,006 of unpaid personal property taxes from prior years where a portion of the balance had been estimated as doubtful.

Other general revenues totaled \$87,418 and represented 8.8% of total governmental activity revenues and increased \$7,688 or 9.6% over the prior year primarily because of investment earnings that increased \$3,482 because of market gains from trust investments and the receipt of \$2,749 of prior year hotel and meals excise taxes attributable to the DCU Center special district.

Governmental Activities Expenses

Expenses of governmental activities totaled \$1,012,931, a decrease over the prior year by \$62,553 or 5.8%. General government expenses increased 14.5%, public safety decreased 22.1%, health and human services expenses increased 58.0%, education expenses decreased 5.9%, public works expenses increased 10.4%, culture and recreation expenses increased 16.8%, community development expenses decreased 33.2%, and interest expense increased 11.9% from the prior year.

General government includes the activities of sixteen departments including legislative, administrative, finance and technology. General government expenses totaled \$46,313 representing 4.6% of total governmental activities and increased \$5,851 or 14.5% over the prior year. There were 200 employees in general government at year-end compared to a total of 202 as of the prior year-end. Salaries and overtime increased \$230 or 1.8% primarily because of scheduled step increases and a 2% cost of living increase on some groups. There was the creation of a new department with one new employee; diversity and inclusion. Ordinary maintenance for technical services for noncapital expenses increased \$451 primarily related to hardware and software expenses and the Treasury department's ordinary maintenance increased \$296 primarily due to an increase in bond issuance costs for increased borrowing activities. City grant expenses, excluding capital outlays, increased \$4,325 over the prior year mainly attributable to an increase in Covid-19 related noncapital grant expenditures. OPEB expense decreased \$1,154 and pension expense decreased \$2,258 after updates to actuarial valuations. Other fringe benefits increased \$173 or 7.2%. Judgements and claims increased \$1,255 primarily because of a recently settled personnel related lawsuit. Promotion of tourism expenses decreased \$500. Depreciation expense increased \$3,302 primarily due to the addition of the baseball stadium put into service during fiscal 2021.

Public safety expenses includes police, fire, inspection, and emergency communications and totaled \$177,056 and represented 17.5% of the total governmental activities decreasing \$50,098 or 22.1% from the prior year. There were 1,014 employees at the end of the year compared to 1,032 as of the prior year end. Salaries and overtime costs for public safety decreased \$608 or 0.6% from the prior year as collectively bargained agreements were not settled and cost of living increases were not provided in fiscal 2021 for most of public safety personnel. OPEB expense for public safety decreased \$38,168 while pension expense decreased \$13,561 after updates to actuarial valuations. Other fringe benefits increased \$1,045 or 5.2%. Depreciation expense increased \$196.

Health and human services expenses totaled \$25,079 or 2.5% of total governmental activities increasing \$9,202 or 58% from the prior year. There were 73 employees at the end of the year compared to 73 as of the prior year end. Salaries increased \$151 or 8.3% due to scheduled step increases on some employees and a 2% cost of living increase on some groups of employees. Ordinary maintenance expenses decreased \$269 mainly due a decrease in veterans' benefits. OPEB expense for health and human services increased \$9,947 while pension expense decreased \$568 after updates to actuarial valuations. Depreciation expense decreased \$60.

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Education expenses include basic education for grades K - 12 as well as pre-K, nutrition and grant supplemental expenses. Education expenses totaled \$625,106 and represented 61.7% of total governmental activity expenses decreasing \$38,921 or 5.9% over the prior year. There were 4,007 full-time permanent employees at the end of the year compared to 3,988 as of the prior year-end. General operating salaries increased \$7,381 or 3.1% primarily because of a 2% cost of living increase to all groups and scheduled step increases. Ordinary maintenance decreased \$8,802 or 14.8% primarily because of a \$5,578 reduction in contracted transportation expenses and a \$2,798 decrease in textbooks expense. State assessments for charter schools and school choice increased \$969. The estimated present value of future workers compensation benefits increased \$1,406. OPEB expense for education decreased \$53,685 while pension expense for the city plan decreased \$8,786 and the on-behalf of payments for the state teacher's retirement system increased \$14,087. Health insurance and other fringe benefit costs increased \$2,921 or 5.9%. Noncapital school grant expenses increased \$2,906 or 5.3% due to the receipt of three new Covid-19 related grants with noncapital expenses totaling \$9,474 and grants with the largest decreases from the prior year included Title I \$2,719 due to timing of expense recognition, and school nutrition \$4,518 and school revolving accounts \$1,249 that were affected by the pandemic. Depreciation expense increased \$719.

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 \$67,541 representing 6.7% of total governmental activities and increased \$6,386 or 10.4% from the prior year. There were 159 employees at the end of the year compared to 167 as of the prior year end. Salaries and wages decreased \$364 or 5.7% from the prior year because of the decrease in the number of staff and offset in part by step increases and a 2% cost of living increase provided to some groups. OPEB expense for public works increased \$8,863 while pension expense decreased \$1,252 after updates to actuarial valuations. There was a decrease in non-capitalized expenditures of capital outlays of \$1,865. Depreciation expense increased \$935.

Culture and recreation expenses include activities of park and library departments and totaled \$42,223 or 4.2% of total governmental activities increasing \$6,068 or 16.8% over the prior year. There were 133 employees in parks and library at the end of the year compared to 139 as of the prior year-end. Employees had salary increases for scheduled step increases and a 2% cost of living increase was provided to some groups. Salary and wages decreased \$165 or 2.0%. OPEB expense increased \$5,200 while pension expense decreased \$1,475 after updates to actuarial valuations. Other fringe benefits increased \$120. Ordinary maintenance increased \$456 or 13% primarily for increases in building maintenance. Noncapital expenditures for the DCU Center operations increased \$1,268 primarily because of an increase in cash flow financing to fund operations \$1,038. Depreciation expense increased \$179.

Community development expenses totaled \$6,943 or 0.7% of governmental activities and decreased \$3,458 or 33.2% due primarily for grant expenses paid in the prior year for emergency aid to local small businesses for Covid-19 relief.

Interest expense on debt totaled \$22,670 or 2.2% of total governmental activities expenses and increased \$2,417 because of the increase in debt. Interest that was capitalized and not expensed for the construction of the baseball stadium totaled \$2,377 during the year compared to \$1,533 capitalized in the prior year.

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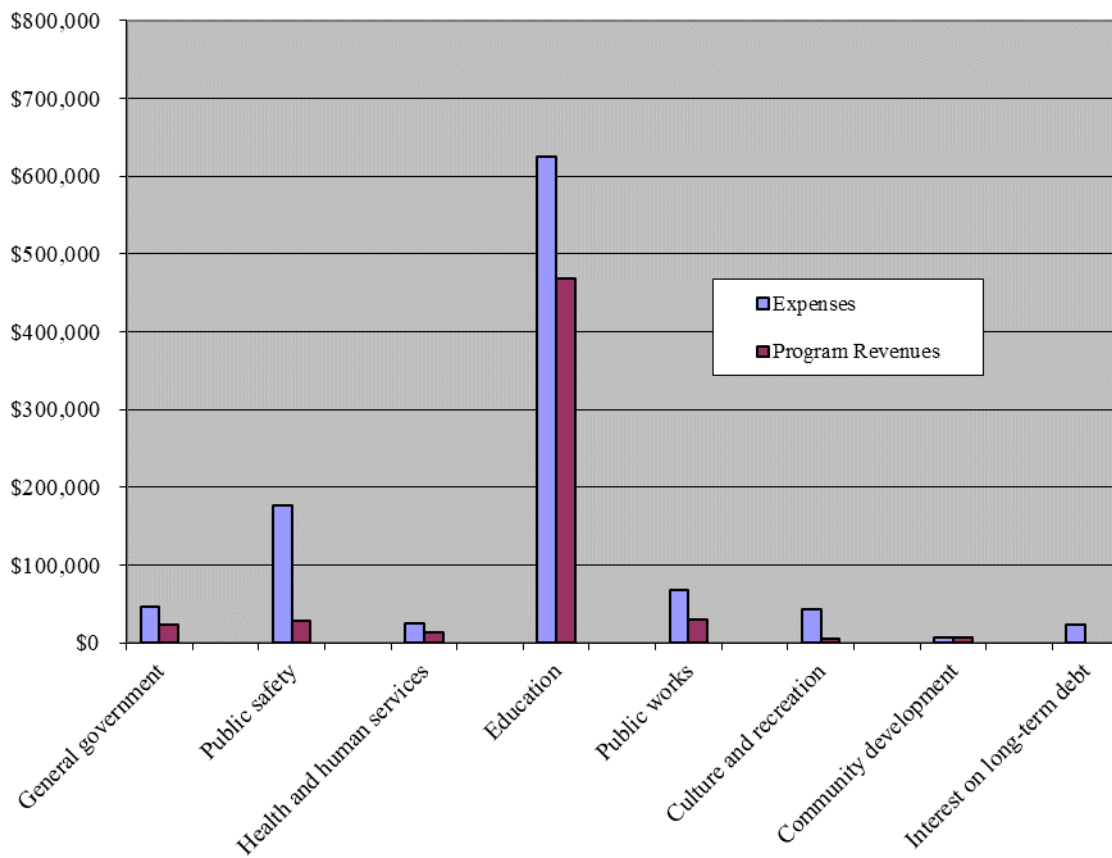
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Expenses by governmental activities compared with program revenue including charges for services and grants are represented in the following graph. Expenses that exceed program revenues are supported by general revenue.

FY 2021 Expenses and Program Revenues– Governmental Activities



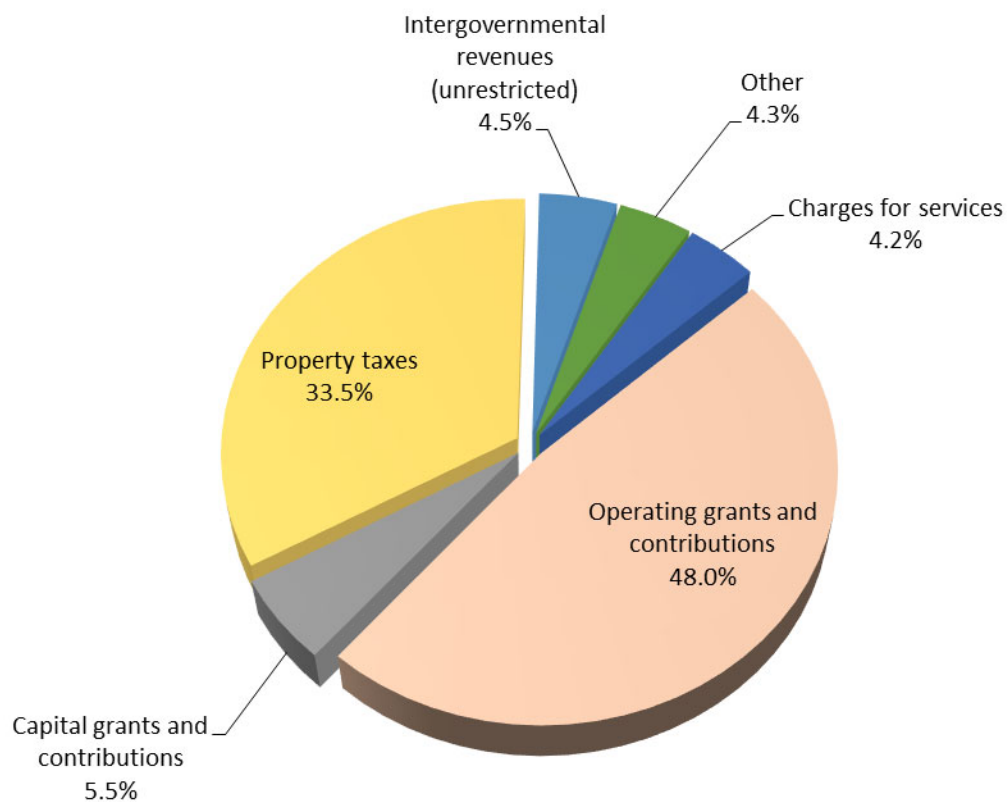
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FY 2021 Revenues by Source – Governmental Activities



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Business-type activities – Business-type activities decreased the City's net position by \$7,675.

- The water fund had an operating loss of \$1,543 and a decrease in net position of \$4,526. This follows the previous year's operating loss of \$2,620 and a decrease in net position of \$5,380. Water rates did not change over the prior year and usage fee income increased \$1,058 or 3.8%. There were 94 employees at the end of the fiscal year compared to 98 as of the prior year-end. Salaries and fringes decreased \$3,481 or 25.8% as salaries and overtime decreased \$84 or 1.3%, OPEB expense increased \$4,552, pension expense decreased \$1,610, and other fringe benefits decreased \$122. The net investment in capital assets increased \$4,885.
- The sewer fund had operating income of \$1,059 and a decrease in net position of \$3,590. This follows the previous year's operating loss of \$2,903 and a decrease in net position of \$6,679. Sewer rates increased 4.5% over the prior year and usage fee income increased \$4,144 or 9.2%. There were 54 employees at the end of the fiscal year compared to 54 as of the prior year-end. Salaries and fringes decreased \$1,282 or 17% as salaries and overtime increased \$7 or 0.2%, OPEB expense increased \$2,733, pension expense decreased \$790, and other fringe benefits increased \$4. Ordinary maintenance increased \$1,114 or 4.6% with the largest increase in the assessments from the Upper Blackstone Water Pollution Abatement District treatment plant which increased \$319. Depreciation expense increased \$556 and interest expense increased \$367. The net investment in capital assets decreased \$10,170.
- The golf course fund (nonmajor) had operating income of \$346 and an increase in net position of \$441. This follows the previous year's operating loss of \$507 and a decrease in net position of \$23. Revenues increased \$823 or 78% from the previous year as the golf course was shut down partly in the prior year because of the pandemic. The golf course operated fully in fiscal 2021 which contributed to the increase in revenues over the prior year. In addition, revenues increased as a result of an increase in rates and the opening of the driving range. 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 decreased \$29 and ordinary maintenance increased \$92. The net investment in capital assets decreased \$4. The General Fund subsidized the golf enterprise with transfers of \$201 in fiscal 2021 compared to \$595 in the prior year.

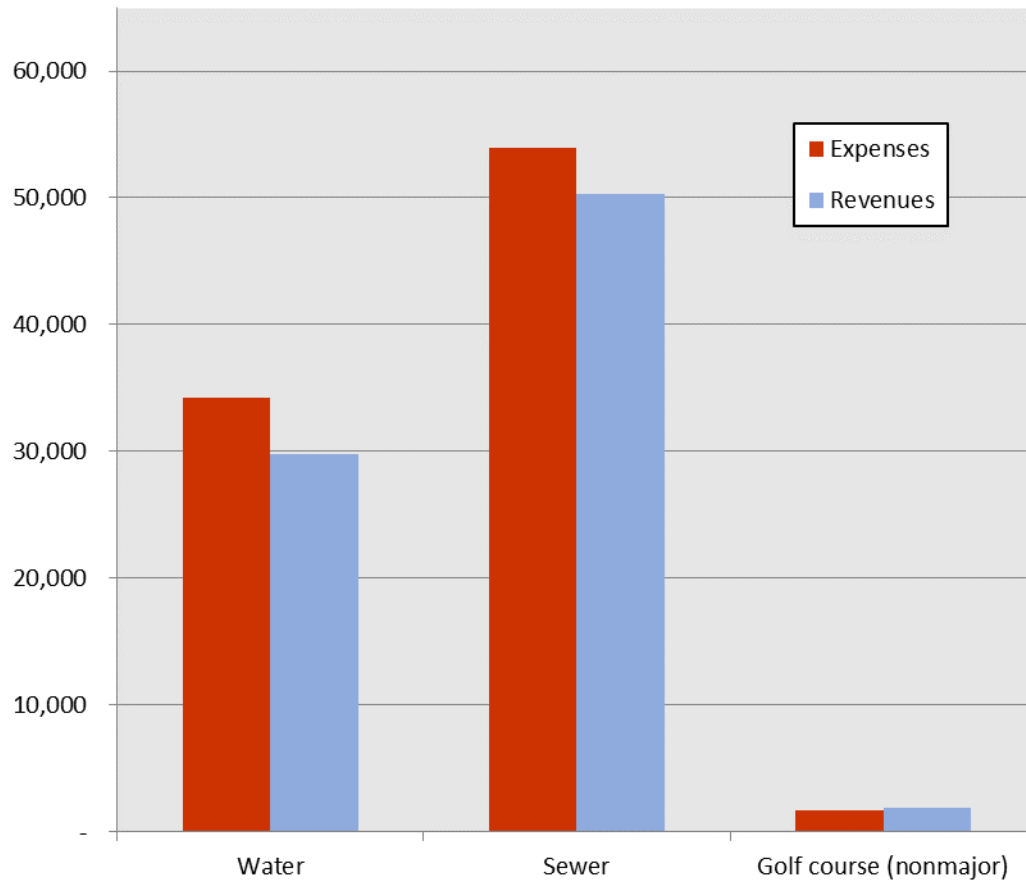
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FY 2021 Expenses and Program Revenues – Business-type Activities



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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 2021, the City's governmental funds reported combined ending fund balances of \$73,306 a decrease of \$16,291 or 18.2% from fiscal 2020. Fund balance includes \$20,679 of non-spendable amounts contained in nonexpendable permanent funds and \$70,242 of unassigned general fund balance available for spending at the City's discretion subject to state certification. Deficits of \$127,908 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 \$54,120 restricted for specific purposes or by federal or state grants, \$29,611 of funds committed for future debt service and \$26,562 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 2021 the general fund unassigned balance was \$70,242 or 9.8% of total general fund revenues. Total revenue exceeded expenditures by \$31,665, while transfers out exceeded transfers in by \$15,396. Equipment included in expenditures was financed through capital leases totaling \$748. The general fund increased \$17,017 over the prior year primarily due to revenue collections coming in above estimates by \$7,274 and actual expenditures coming in under budget by \$11,327. Included in property tax revenue was the collection of \$8,006 of unpaid personal property taxes from prior years that had been provided for as doubtful. Expenditures from all departments came in under budget including \$1,462 from the sixteen departments included in general government, \$2,516 in public safety, \$747 in health and human services, \$1,404 in public works, \$755 in culture and recreation, \$1,463 in debt service, \$1,580 in fringe benefits, and \$1,594 in unspent contingency offset by state assessments slightly over budget estimates by \$194.

The debt service fund is a major fund reported by the city and had a fund balance of \$29,611 at the end of fiscal 2021, an \$8,673 increase from the previous year. During the year \$6,711 in meals and hotel excise revenue was received attributable to the DCU special district which included state and local rooms and meals excise within a specified geographic area. Included in the excise revenue was a receipt from the state of \$2,749 for prior year excise taxes and an adjustment from the general fund for prior year excise taxes \$2,497. There were \$17,641 net transfers in from the general fund an increase of \$3,455 from the prior year primarily due to an increase of \$2,524 in prefunding the new high school debt service fund and prefunding for a new fire station. Transfers out of the fund for marketing decreased \$500. Debt service expenditures totaled \$16,369. Debt service paid included capital campaign fund \$6,860 which includes debt for previous completed projects including the vocational high school, library, and other school improvements; the CitySquare project \$4,123 which is self-funded debt from related district improvement financing revenue; North High school debt \$1,251; New High School fund \$956; DCU special district debt \$3,048 self-funded debt from special district financing revenue; and other debt \$131 paid from designated debt service funds. 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

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schools increased \$5,352 for a total fund balance of \$13,645 at June 30, 2021. The other fund balances at June 30, 2021 included; North High \$7,417; DCU \$4,424, Capital Campaign \$2,985, and other \$1,140.

The rehabilitation of public buildings fund is a capital project fund and was considered a major fund in fiscal 2021 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$24,040 and included renovations of parking garages \$3,096, the library \$5,752, energy improvements \$13,577, and other city buildings \$1,615. The City received a donation of \$1,000 for the library renovation. Bonds and related premiums issued for current capital projects totaled \$21,879 to refinance \$21,545 of temporary notes outstanding at the prior year end and to fund projects. Refunding debt including premiums was issued totaling \$26,183 to refund debt of \$25,033, deferred charges of \$975 and issuance costs of \$175. Temporary notes issued and outstanding as of June 30, 2021 for the projects totaled \$29,693. The fund balance as of June 30, 2021 was (\$16,510) and was financed by temporary notes that will be refinanced as bonds in the subsequent year.

The school construction fund is a capital project fund and was considered a major fund in fiscal 2021 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$72,213 for the year and included replacement costs for South High School \$51,815, planning and architectural costs for the replacement of Doherty High School \$9,688, and repairs of other school buildings \$10,710. Grant revenue from the Massachusetts School Building Authority totaled \$33,008. Bonds and related premiums issued related to current projects totaled \$31,995 to refinance \$31,193 of temporary notes outstanding at the prior year end and to fund projects. Refunding debt including premiums was issued totaling \$10,368 to refund debt of \$10,364, deferred charges of \$3 and issuance costs of \$1. Temporary notes issued and outstanding as of June 30, 2021 for the projects totaled \$50,785. The fund balance as of June 30, 2021 was (\$50,347) and was financed by temporary notes and other current liabilities.

The baseball stadium fund is a capital project fund and was considered a major fund in fiscal 2021 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$88,626 for the year. Bonds and related premiums issued during the year totaled \$38,249 for current project costs. Temporary notes issued and outstanding as of June 30, 2021 for current project costs totaled \$58,770. Contributions from the Worcester Red Sox team totaled \$4,081. The fund balance as of June 30, 2021 was (\$52,434) and was financed by temporary notes.

The city grants fund is a special revenue fund and was considered a major fund in fiscal 2021 because assets in the fund totaling \$70,918 exceeded 10% of total governmental fund assets. During the year the city received \$55,309 from the federal government's American Rescue Plan which had not been appropriated as of year-end and was held as cash and unearned revenue as of June 30, 2021. Other city grants with assets at the year-end included the Covid-19 Relief Fund \$3,309, the Covid19-FEMA fund \$4,193, a community fund \$688, a library resources grant \$962, the balance in a pilot fund for payment-in-lieu-of-taxes \$963, former courthouse renovation grant \$816, EPA transitional housing \$234, a shared streets grant \$154, Shannon community safety initiative grant \$1,142, the federal forfeiture fund \$549, a grant for Covid-19 vaccination cooperative agreements \$338, a state grant for Covid-19 regional health activities \$493 for activities related to the coronavirus pandemic and several other smaller grant funds totaling \$1,768. The fund balance as of June 30, 2021 was \$15,268.

Other governmental funds are non-major funds and had a balance of \$77,476 as of June 30, 2021, a \$10,915 increase from the previous year. The nonmajor special revenue funds increased by \$435 as revenues of \$91,021 and premiums on issuance of bonds and notes of \$993 exceeded expenditures of \$89,189 and net transfers out of

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\$2,390. The nonmajor capital project funds increased \$4,699 as revenues of \$17,063, bond proceeds and related premiums of \$27,539 and net transfers in from other funds of \$477 exceeded expenditures of \$40,380, exclusive of refunding bonds issuance costs of \$404. Refunding debt including premiums was issued totaling \$57,032 to refund debt of \$54,382, deferred charges of \$2,246 and issuance costs of \$404. Permanent funds increased \$5,781 as donations of \$123 and net investment income of \$5,846 exceeded expenditures of \$128 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 2021 totaled \$46,636. There was a \$7,675 decrease in net position from current year operations. The water fund had a decrease in net position of \$4,526 while the sewer fund had a decrease of \$3,590 and the golf course fund (nonmajor) had an increase of \$441. Unrestricted net position consisted of (\$26,125) in the water fund, \$1,793 in the sewer fund and (\$546) in the golf course fund (nonmajor). Net investment in capital assets consisted of \$55,097 in the water fund, \$16,177 in the sewer fund and \$239 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 \$17,774 lower than the original estimated revenues due primarily to a decrease in state aid for public education totaling \$17,591 after the original budget was passed.

The final budget for transfers-in increased by \$1,578 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; \$934 from premium on loans to cover debt issuance costs; \$127 for vehicle insurance settlements. There was also a \$40 transfer from the OPEB trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$16,215 lower than the original budget. The education budget including related fringe benefits decreased \$16,057 and charter school assessments decreased \$1,411 as a result of the decrease in state aid.

The final budget for transfers-out increased from the original budget by \$5,145. Subsequent transfers out to other fund included \$2,052 for additional transfers to the debt service fund for additional prefunding of the new high school debt service fund and a new fire station debt service fund, and \$6 for additional funding to the airport debt service fund, \$3,076 to the OPEB Trust fund from appropriated free cash in accordance with the financial integrity plan and \$11 to fund grant close-outs.

The general fund had a net increase in the budgetary basis fund balance by \$13,474 during the year and was higher than the budgeted deficit of \$5,127 by \$18,601. By comparison, the net changes in the previous three fiscal years were \$6,318, \$5,493, and \$152. The budgeted deficit of \$5,127 included free cash appropriations from unassigned general fund totaling \$10,254 offset by an intrafund transfer to the bond rating stabilization fund, a reserve account of the general fund, of \$5,127. The year-end unassigned fund balance on a budgetary basis totaled \$66,318. Revenues exceed budget estimates by \$7,274. Actual expenses were less than budgeted appropriations by \$11,520 and intergovernmental charges exceeded budgeted estimates by \$193.

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Revenue accounts with the largest positive variances included property taxes which exceed estimates by \$8,781 primarily due to the collection of prior year personal property taxes from a utility company pursuant to a settlement that brought in \$8,006 of additional property tax revenue, revenue from solar renewable energy certificates \$1,075, the sale of trash bags \$983, and marijuana host agreements \$699.

Expenditures with the largest unspent appropriation from the final budget included general government \$1,462 or 5.4% of its budget, public safety \$2,516 or 2.5% of its budget, health and human service \$747 or 16.4% of its budget, snow removal \$517 or 10.4% of its budget, other public works \$887 or 4.9% of its budget, public library \$666 or 10.7% of its budget, debt service \$1,463 or 2.8% of its budget, fringe benefits \$1,580 or 1.2% of its budget, and unused city manager's contingency \$1,594.

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, 2021 totaled \$1,463,838. 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 \$175,448 or 13.6%. Governmental activities increased by \$178,977 or 17.4% and business-type activities decreased by \$3,529 or 1.3%. Governmental activities fixed asset acquisitions totaled \$240,976 and depreciation for the year totaled \$61,999.

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 \$13,589 including resurfacing projects \$9,915; and other street and sidewalk projects \$3,674.
- Worcester's minor league baseball park development continued in fiscal 2021 with costs incurred totaling \$88,626 for the year. The stadium was substantially complete by year-end with the team hosting its inaugural home game on May 4, 2021. Ballpark district area improvements and new garage construction for the year totaled \$15,130. Through June 30, 2021 the ballpark construction totaled \$128,997 including stadium design and construction \$116,347, site preparation \$7,642, and capital borrowing costs \$5,007. Land acquisition and the cost of relocation of former occupants totaled \$21,626. Land improvement for the private construction of the left field building cost \$3,097. Land improvement for private development south of the ballpark totaled \$2,512. Land improvement for public space totaled \$641 to date. The construction of a new garage was in progress as of June 30, 2021 with cumulative to date costs of \$12,879.
- Capitalized costs totaled \$6,274 in fiscal 2021 for park improvements including upgrades to the Providence Street playground, replacing the soccer field and lighting at Farber field, replacing the little league baseball field, lighting and fencing at Mulcahey field, basketball courts, fencing and security cameras at Crompton Park, renovations to the maintenance building at Greenhill Park, improvements to terrain and construction of a boardwalk at Hadwen Park, continued development of new athletic field at Institute Park, and various other improvements to parks and park buildings.
- Capitalized costs totaled \$71,325 for school construction during fiscal 2021. 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. Capital costs for

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construction in progress that were incurred in fiscal 2021 totaled \$51,815 and cumulatively totaled \$159,723 while reimbursements from the MSBA on this school totaled \$21,485 in fiscal 2021 and cumulatively totaled \$81,123. Costs related to the replacement of Doherty High school totaled \$9,688 and accrued revenue from the MSBA totaled \$4,047. Seven school buildings participating in the MSBA accelerated repair program incurred costs totaling \$9,721 during fiscal 2021 including window, door, roof and boiler replacements. Other capitalized school building costs totaled \$101. MSBA revenues for the other school projects totaled \$7,476.

- Capitalized costs for rehabilitation of public buildings included energy improvements totaling \$12,212 including LED light conversion, HVAC controls upgrades, boiler replacements, transformer replacement and solar panels. The two year major renovation project of the Pearl Elm municipal garage was completed during the year with costs incurred during the year totaling \$3,096 and project costs totaling \$23,234 that was moved out of construction-in-progress and placed in service during the year. Other buildings that had renovations included the continued major renovation of the public library \$5,553 and the parking lot reconstruction and interior renovations at the Senior Center \$1,513.
- Capitalized costs for rolling equipment totaled \$2,008 including 10 mid-sized busses under a capital lease \$748; eight heavy duty trucks for public works \$1,201, and one capitalized pickup truck for the fire department \$59.
- The city installed ionization air purification systems in several school and city buildings totaling \$13,596 acquired through Covid-19 Relief grants under the Cares Act.
- Other equipment and furniture capitalized during the year totaled \$5,047 including technology at city and school buildings, new furniture at the library, parking meters, election mailing equipment, ADA compliant counters at city hall, and asphalt repair equipment for public works.
- Other capitalized costs during the year totaled \$3,007.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$18,127. Of this amount, \$10,848 was for sewer infrastructure projects and \$5,734 for water infrastructure and building projects. Land acquisition for watershed projects totaled \$124, new rolling equipment for water and sewer totaled \$1,333, and other new equipment totaled \$88.

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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	
	2021	2020	2021	2020	2021	2020
Land	\$ 45,377	23,631	8,072	7,949	53,449	31,580
Buildings	570,346	437,284	20,047	21,594	590,393	458,878
Improvements, other than buildings	169,981	169,829	-	-	169,981	169,829
Equipment and other	46,670	21,180	2,043	2,409	48,713	23,589
Rolling equipment	9,706	10,441	3,196	2,808	12,902	13,249
Infrastructure	162,065	162,655	225,400	227,527	387,465	390,182
Construction in progress	200,935	201,083	-	-	200,935	201,083
Total	\$ 1,205,080	1,026,103	258,758	262,287	1,463,838	1,288,390

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 \$803,075, an increase of \$69,813 or 9.5% from the prior fiscal year. General obligation bonds totaling \$784,912 comprises debt backed by the full faith and credit of the City.

Long-term debt						
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 603,142	543,745	181,770	168,639	784,912	712,384
Notes from direct borrowings	1,538	1,630	4,190	4,479	5,728	6,109
Capital lease payable	12,435	14,769	-	-	12,435	14,769
Total	\$ 617,115	560,144	185,960	173,118	803,075	733,262

On September 1, 2020 the City issued general obligation bonds totaling \$3,302 for the ballpark project. On February 16, 2021 the City issued general obligation bonds totaling \$115,925 for current projects. On March 2, 2021 the City issued \$13,800 for the ballpark project. On September 1, 2020 the City issued \$48,148 of refunding debt. On March 2, 2021 the City issued \$88,270 of refunding debt. The proceeds consisted of \$198,194 for governmental activities and \$71,251 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 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.

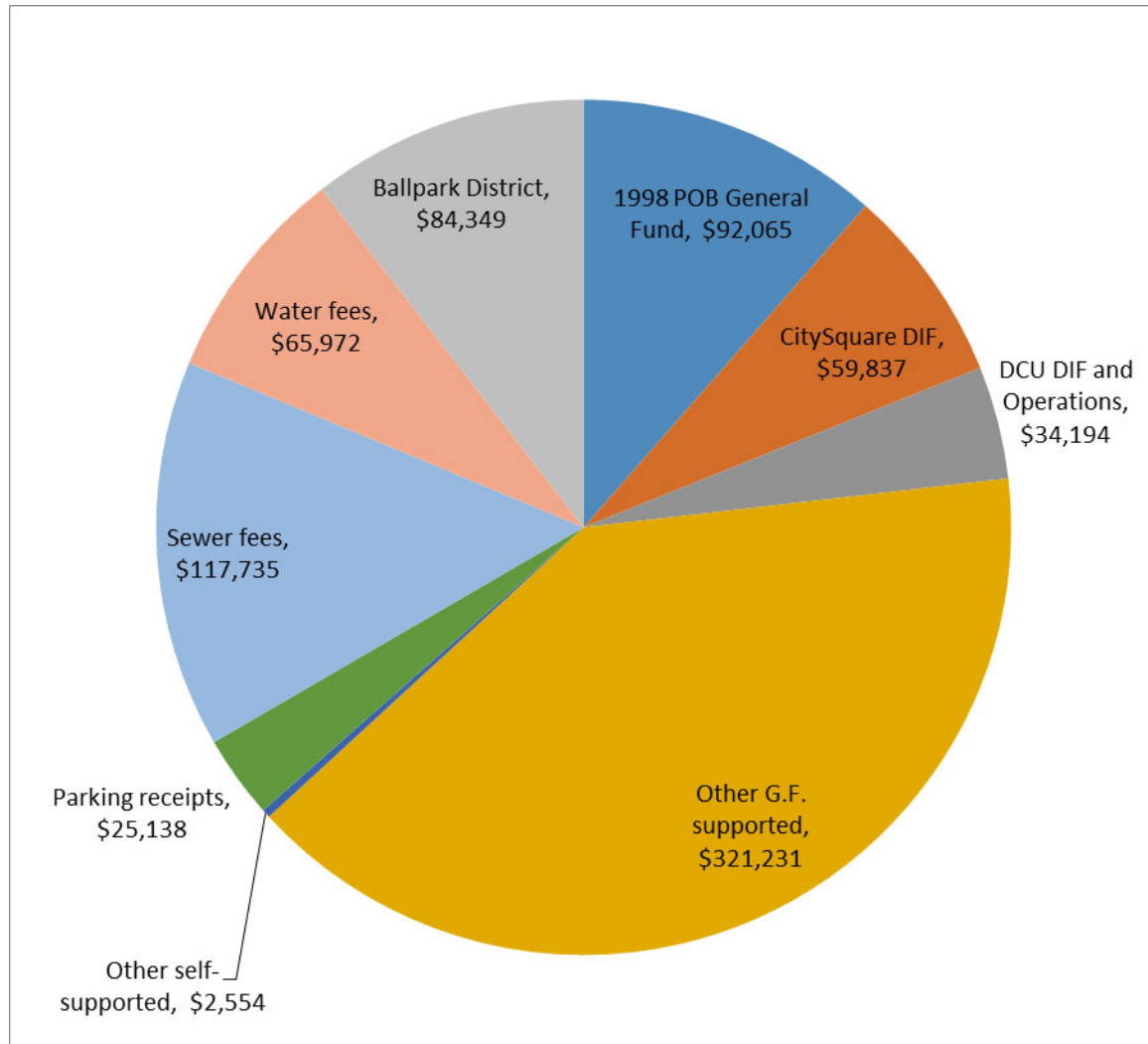
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Long-Term Debt as of June 30, 2021



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. Debt related to the baseball district will be supported from TIF revenue within the baseball district, team lease revenue and ballpark ancillary revenues.

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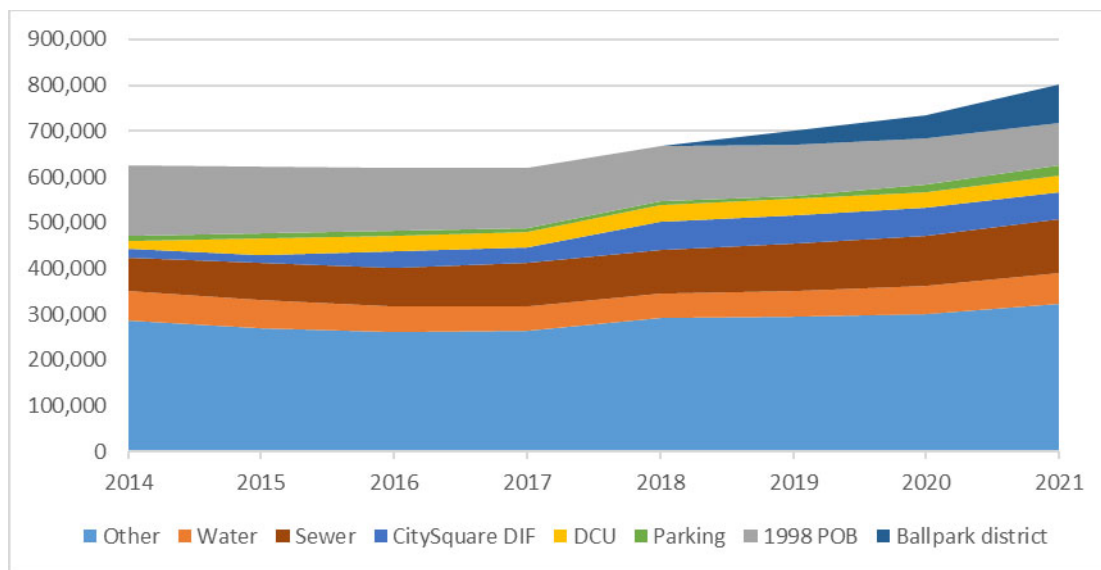
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(In thousands of dollars)

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 \$321,231 and is paid primarily from the general fund. This includes outstanding long-term debt related to schools \$97,961, other public buildings \$28,526, energy efficiency and renewable projects \$56,514 streets and sidewalks \$68,957, parks \$35,773, equipment \$7,241, public library \$4,888, golf course \$2,253, capital leases \$12,436 and other purposes \$6,682. Future general fund revenue from the MSBA related to prior school construction debt totals \$4,736. Debt service reserves related to school debt totaled \$21,368.

Long-term debt, eight-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 7.0% at June 30, 2021, compared with a 17.4% rate that existed a year earlier. The high unemployment that existed from the prior year 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, 2021 were 5.4% and 6.1%, respectively.

Taxable assessed property values increased 8.0% to \$15,824,757 in fiscal 2021 of which new growth valuations was \$231,017 or 1.6%. Residential real estate totaled \$12,150,549 and increased 11.0% including new growth \$45,145 or 0.4%; commercial and industrial real estate totaled \$2,791,673 and decreased 1.0% with new growth

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2021

(In thousands of dollars)

totaling \$34,307 or 1.2%; and personal property totaled \$882,535 a net increase of 0.7% including new growth \$151,565 or 17.3%.

The fiscal 2022 general fund budget as adjusted at the tax reclassification anticipates total revenues of \$743,695 and transfers from other funds of \$1,897 compared with actual results of \$710,621 and \$3,503 respectively in fiscal 2021. Fiscal 2021 free cash to be appropriated in fiscal 2022 is estimated to total \$19,364. It is anticipated that property tax revenue will increase by \$6,554 or 2.0% 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 \$20,477 as of June 30, 2021 which was not used in prior years when the City did not tax up to the annual allowable increase. State local aid increased by \$1,436 or 3.1% over fiscal 2021 and state aid for schools increased \$16,683 or 6.0%. A portion of the City's American Rescue Plan Act grant allocation was budgeted as general revenue totaling \$7,096. Other revenue categories were budgeted approximately level to fiscal 2021.

The fiscal 2022 general fund budget as updated at the tax classification anticipates total expenditures of \$729,935 and transfers to other funds of \$25,339 compared with actual results of \$678,082 and \$22,568 in the prior year. Fiscal 2022 budgeted expenditures and transfers out increased over the prior year actual amounts by \$54,624 or 7.8%, including \$15,886 or 4.3% for the school department, \$3,685 or 13% for charter school assessments, \$3,452 or 3.5% for public safety, \$2,168 or 57% for health and human services, \$8,934 or 41% for public works, \$2,426 or 25% for interest expense, \$1,715 or 6.4% for health insurance excluding school department, \$1,667 or 5.2% for pension contributions excluding school department, and \$2,771 or 12% for transfers to other funds. In addition there is \$8,535 in the city manager's contingency to primarily provide funds for expected cost of living increases to city employees as well as provide for the cost of study on equitable pay and a study of the fire department.

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 \$100 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive \$46,921 in total revenues, \$1,437 less than the prior year actual and water revenue is budgeted to receive \$27,407 in total revenues, \$3,012 less than the prior year actual. Sewer rates were increased by 4.0% from the prior year and water rates remained unchanged. The golf course anticipates revenues of \$1,720, which is \$155 less 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, 2021

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Current assets:					
Cash and cash equivalents	\$ 208,489,661	18,905,252	227,394,913	5,120,522	2,999,271
Restricted cash and cash equivalents	156,131,167	28,434,255	184,565,422	449,104	-
Restricted investments	27,545,363	-	27,545,363	-	15,438,975
Receivables (net of allowance for uncollectibles)	25,354,495	18,239,197	43,593,692	1,869,028	655,740
Intergovernmental receivables	34,629,067	-	34,629,067	-	239,482
Prepaid expenses	-	-	-	271,704	399,071
Total current assets	<u>452,149,753</u>	<u>65,578,704</u>	<u>517,728,457</u>	<u>7,710,358</u>	<u>19,732,539</u>
Noncurrent assets:					
Intergovernmental receivables	4,003,033	-	4,003,033	-	1,403,451
Capital assets, not being depreciated	246,312,221	8,072,463	254,384,684	1,054,569	6,392,633
Capital assets, net of accumulated depreciation	958,767,663	250,685,616	1,209,453,279	28,715,256	156,576,114
Total noncurrent assets	<u>1,209,082,917</u>	<u>258,758,079</u>	<u>1,467,840,996</u>	<u>29,769,825</u>	<u>164,372,198</u>
Total assets	<u>1,661,232,670</u>	<u>324,336,783</u>	<u>1,985,569,453</u>	<u>37,480,183</u>	<u>184,104,737</u>
Deferred outflows of resources:					
Related to pensions	36,082,465	2,178,889	38,261,354	-	2,328,015
Related to OPEB	378,683,821	10,297,459	388,981,280	-	1,143,945
Loss on refunding	-	-	-	-	238,082
Total deferred outflows of resources	<u>414,766,286</u>	<u>12,476,348</u>	<u>427,242,634</u>	<u>-</u>	<u>3,710,042</u>
Liabilities:					
Current liabilities:					
Accounts payable	96,285,169	4,833,858	101,119,027	5,562,758	623,189
Accrued liabilities	19,054,745	2,266,574	21,321,319	4,599,970	1,956,764
Retainage payable	10,685,997	359,005	11,045,002	-	-
Unearned revenue	55,308,695	-	55,308,695	-	-
Other liabilities	7,766,845	-	7,766,845	181,035	-
Temporary notes payable	163,329,570	20,607,430	183,937,000	-	-
Advances from City of Worcester - Ballpark	-	-	-	280,855	-
Noncurrent liabilities due within one year	71,489,315	13,448,436	84,937,751	15,115,103	8,639,605
Total current liabilities	<u>423,920,336</u>	<u>41,515,303</u>	<u>465,435,639</u>	<u>25,739,721</u>	<u>11,219,558</u>
Noncurrent liabilities:					
Net pension liability	402,473,074	20,422,377	422,895,451	-	11,234,954
Net OPEB liability	1,470,614,916	37,499,456	1,508,114,372	-	2,065,337
Other noncurrent liabilities due in more than one year	618,621,050	182,912,180	801,533,230	410,752	138,258,674
Total noncurrent liabilities	<u>2,491,709,040</u>	<u>240,834,013</u>	<u>2,732,543,053</u>	<u>410,752</u>	<u>151,558,965</u>
Total liabilities	<u>2,915,629,376</u>	<u>282,349,316</u>	<u>3,197,978,692</u>	<u>26,150,473</u>	<u>162,778,523</u>
Deferred inflows of resources:					
Related to pensions	70,311,807	7,095,836	77,407,643	-	179,363
Related to OPEB	26,931,222	732,335	27,663,557	-	1,890,044
Total deferred inflows of resources	<u>97,243,029</u>	<u>7,828,171</u>	<u>105,071,200</u>	<u>-</u>	<u>2,069,407</u>
Net position:					
Net investment in capital assets	545,176,287	71,512,999	616,689,286	22,436,028	18,148,341
Restricted for:					
Nonexpendable permanent funds:					
Libraries	9,407,744	-	9,407,744	-	-
Hope Cemetery	5,575,170	-	5,575,170	-	-
Health and human services	3,590,314	-	3,590,314	-	-
Other nonexpendable permanent funds	2,105,960	-	2,105,960	-	-
Expendable permanent funds:					
Libraries	4,198,655	-	4,198,655	-	-
Hope Cemetery	933,627	-	933,627	-	-
Health and human services	965,485	-	965,485	-	-
Other nonexpendable permanent funds	953,023	-	953,023	-	-
State and federal grants	14,108,546	-	14,108,546	-	-
Culture & recreation grants	478,127	-	478,127	-	-
General government grants	7,531,554	-	7,531,554	-	-
Health and human services grants	853,109	-	853,109	-	-
Library grants	1,767,288	-	1,767,288	-	-
Public safety grants	5,465,177	-	5,465,177	-	-
Public works grants	2,938,042	-	2,938,042	-	-
Educational grants	11,552,899	-	11,552,899	-	-
Unrestricted (deficit)	(1,554,474,456)	(24,877,355)	(1,579,351,811)	(11,106,318)	4,818,508
Total net position	<u>\$ (936,873,449)</u>	<u>46,635,644</u>	<u>(890,237,805)</u>	<u>11,329,710</u>	<u>22,966,849</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2021

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	\$ 46,312,724	6,274,990	17,392,053	-	(22,645,681)
Public safety	177,056,460	23,007,420	5,249,247	-	(148,799,793)
Health and human services	25,079,403	829,278	12,057,077	-	(12,193,048)
Education	625,105,890	317,380	435,614,049	33,008,460	(156,166,001)
Public works	67,540,534	10,416,781	95,623	19,637,155	(37,390,975)
Culture and recreation	42,223,472	459,602	2,338,243	2,507,575	(36,918,052)
Community development	6,943,442	95,797	5,752,230	-	(1,095,415)
Interest on debt	22,669,780	-	-	-	(22,669,780)
Total governmental activities	1,012,931,705	41,401,248	478,498,522	55,153,190	(437,878,745)
Business-type activities:					
Water	33,658,425	29,747,420	-	-	(3,911,005)
Sewer	53,430,477	50,332,404	-	877	(3,097,196)
Golf course (nonmajor)	1,617,553	1,875,863	-	-	258,310
Total business-type activities	88,706,455	81,955,687	-	877	(6,749,891)
Total primary government	\$ 1,101,638,160	123,356,935	478,498,522	55,154,067	(444,628,636)
Component units:					
Worcester Redevelopment Authority	\$ 3,156,805	649,542	-	3,072,997	565,734
Upper Blackstone Water Pollution Abatement District	29,330,229	30,048,531	-	600,127	1,318,429
Total component units	\$ 32,487,034	30,698,073	-	3,673,124	1,884,163

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2021

	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)	\$ (437,878,745)	(6,749,891)	(444,628,636)	565,734	1,318,429
General revenues:					
Property taxes	334,059,312	-	334,059,312	-	-
Motor vehicle excise taxes	16,928,600	-	16,928,600	-	-
Other taxes and in-lieu payments	11,112,687	-	11,112,687	-	-
Penalties and interest on taxes	2,826,665	-	2,826,665	-	-
Intergovernmental (unrestricted)	44,931,464	-	44,931,464	-	-
Investment earnings	6,556,730	-	6,556,730	8,873	2,313,797
Energy sales and rebates	4,186,344	-	4,186,344	-	-
Miscellaneous	875,453	-	875,453	-	-
Transfers (net)	925,194	(925,194)	-	-	-
Total general revenues and transfers (net)	422,402,449	(925,194)	421,477,255	8,873	2,313,797
Contributions to permanent funds	122,555	-	122,555	-	-
Sub-total	422,525,004	(925,194)	421,599,810	8,873	2,313,797
Change in net position	(15,353,741)	(7,675,085)	(23,028,826)	574,607	3,632,226
Net position - beginning *	(921,519,708)	54,310,729	(867,208,979)	10,755,103	19,334,623
Net position - ending	\$ (936,873,449)	46,635,644	(890,237,805)	11,329,710	22,966,849

(Concluded)

* Restated for Primary Government and 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, 2021

	General	Debt Service	Rehabilitation of Public Buildings	School Construction	Baseball Stadium	City Grants	Other Governmental Funds	Total Governmental Funds
Assets:								
Cash and cash equivalents	\$ 126,017,079	29,610,971	-	-	-	-	26,746,962	182,375,012
Restricted cash and cash equivalents	-	-	19,091,306	15,603,134	6,749,718	65,620,964	49,066,045	156,131,167
Restricted investments	-	-	-	-	-	-	27,545,363	27,545,363
Due from other funds	14,826,269	-	-	-	-	-	-	14,826,269
Receivables (net of allowance for uncollectibles)	19,429,869	-	-	-	-	-	3,072,929	22,502,798
Intergovernmental receivables	6,082,599	-	-	4,401,980	-	5,297,088	22,850,433	38,632,100
Total assets	\$ 166,355,816	29,610,971	19,091,306	20,005,114	6,749,718	70,918,052	129,281,732	442,012,709
Liabilities:								
Accounts payable	\$ 72,169,374	-	2,528,772	12,873,705	413,441	341,198	6,804,800	95,131,290
Due to general fund	-	-	-	-	-	-	14,826,269	14,826,269
Retainage payable	-	-	3,380,099	6,693,373	-	-	612,525	10,685,997
Temporary loans	-	-	29,692,883	50,785,038	58,769,862	-	24,081,787	163,329,570
Unearned revenue	-	-	-	-	-	55,308,695	-	55,308,695
Other liabilities	5,358,945	-	-	-	-	-	2,407,900	7,766,845
Total liabilities	77,528,319	-	35,601,754	70,352,116	59,183,303	55,649,893	48,733,281	347,048,666
Deferred inflows of resources:								
Unavailable revenue-school construction reimbursement	4,003,033	-	-	-	-	-	-	4,003,033
Unavailable revenue-property taxes	6,662,619	-	-	-	-	-	-	6,662,619
Unavailable revenue-other	7,919,362	-	-	-	-	-	3,072,929	10,992,291
Total deferred inflows of resources	18,585,014	-	-	-	-	-	3,072,929	21,657,943
Fund balances:								
Nonspendable	-	-	-	-	-	-	20,679,188	20,679,188
Restricted	-	-	-	-	-	15,268,159	38,851,381	54,119,540
Committed	-	29,610,971	-	-	-	-	26,562,138	56,173,109
Unassigned	70,242,483	-	(16,510,448)	(50,347,002)	(52,433,585)	-	(8,617,185)	(57,665,737)
Total fund balances	70,242,483	29,610,971	(16,510,448)	(50,347,002)	(52,433,585)	15,268,159	77,475,522	73,306,100
Total liabilities, deferred inflows of resources, and fund balances	\$ 166,355,816	29,610,971	19,091,306	20,005,114	6,749,718	70,918,052	129,281,732	442,012,709

See accompanying notes to basic financial statements.

Exhibit 4**CITY OF WORCESTER, MASSACHUSETTS**

Reconciliation of the Governmental Funds Balance Sheet

Total Fund Balances to the Statement of Net Position

June 30, 2021

Total governmental fund balances (Exhibit 3)	\$ 73,306,100
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	1,205,079,884
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	21,657,943
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.	19,569,110
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.	(10,811,388)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds.	(34,229,342)
Deferred outflows and inflows of resources of OPEB are not reported in government funds.	351,752,599
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 and deferred charges	(634,102,872)
Capital lease payable	(12,436,108)
Net pension liability	(402,473,074)
Net OPEB liability	(1,470,614,916)
Judgments and claims	(16,540,760)
Compensated absences	(15,952,625)
Landfill closure costs and post closure costs	<u>(11,078,000)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ (936,873,449)</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, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Rehabilitation of Public Buildings</u>	<u>School Construction</u>	<u>Baseball Stadium</u>	<u>City Grants</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:								
Property taxes	\$ 336,722,729	-	-	-	-	-	-	336,722,729
Motor vehicle excise taxes	17,103,504	-	-	-	-	-	-	17,103,504
Other taxes and in-lieu payments	5,210,759	6,710,746	-	-	-	-	-	11,921,505
Penalties and interest on taxes	2,826,665	-	-	-	-	-	-	2,826,665
Licenses and permits	6,395,862	666,666	-	-	-	-	-	7,062,528
Intergovernmental	333,645,579	-	-	33,008,460	-	30,960,499	83,399,927	481,014,465
Charges for services	8,292,310	-	-	-	-	-	21,733,002	30,025,312
Fines and forfeitures	1,816,577	-	-	-	-	-	-	1,816,577
Investment earnings (losses)	653,444	24,297	-	-	32,867	-	5,846,122	6,556,730
Donations	-	-	1,000,000	-	4,080,882	2,455,316	637,312	8,173,510
Contributions to permanent funds	-	-	-	-	-	-	122,555	122,555
Energy sales and rebates	2,075,438	-	-	-	-	-	2,110,906	4,186,344
Miscellaneous	120,137	-	-	-	-	551,380	203,936	875,453
Total revenues	<u>714,863,004</u>	<u>7,401,709</u>	<u>1,000,000</u>	<u>33,008,460</u>	<u>4,113,749</u>	<u>33,967,195</u>	<u>114,053,760</u>	<u>908,407,877</u>
Expenditures:								
Current:								
General government	25,442,737	-	14,147,821	-	-	17,902,941	809,283	58,302,782
Public safety	99,632,091	-	156,416	-	-	4,776,962	13,984,148	118,549,617
Health and human services	3,819,423	-	-	-	-	5,142,023	5,212,909	14,174,355
Education	300,749,305	-	-	72,212,748	-	-	57,495,444	430,457,497
Public works	21,800,484	-	3,808,759	-	86,249,017	53,591	34,627,952	146,539,803
Culture and recreation	12,192,682	-	5,751,924	-	-	2,291,456	10,184,870	30,420,932
Fringe benefits	132,494,494	-	-	-	-	-	-	132,494,494
Community development	-	-	-	-	-	2,587,527	4,305,653	6,893,180
State and regional charges	35,616,182	-	-	-	-	-	-	35,616,182
Debt service:								
Principal	35,459,601	11,171,512	-	-	-	243,847	2,235,247	49,110,207
Interest	15,991,472	5,197,879	-	-	2,377,356	59,567	841,819	24,468,093
Refunding bonds issuance costs	-	-	175,264	640	-	-	403,848	579,752
Total expenditures	<u>683,198,471</u>	<u>16,369,391</u>	<u>24,040,184</u>	<u>72,213,388</u>	<u>88,626,373</u>	<u>33,057,914</u>	<u>130,101,173</u>	<u>1,047,606,894</u>
Excess (deficiency) of revenues over expenditures	<u>31,664,533</u>	<u>(8,967,682)</u>	<u>(23,040,184)</u>	<u>(39,204,928)</u>	<u>(84,512,624)</u>	<u>909,281</u>	<u>(16,047,413)</u>	<u>(139,199,017)</u>
Other financing sources (uses):								
Transfers in	3,463,352	18,049,298	-	-	-	1,233,341	7,500,164	30,246,155
Transfers out	(18,859,619)	(408,282)	(580,959)	-	-	-	(9,472,101)	(29,320,961)
Premium on issuance of bonds and notes	-	-	1,296,467	3,271,430	2,950,147	-	4,657,864	12,117,908
Issuance of bonds	-	-	20,582,751	28,724,032	35,299,067	-	23,872,714	108,478,564
Premium on issuance of refunding bonds	-	-	1,059,543	1,005,747	-	-	1,803,291	3,868,581
Issuance of refunding bonds	-	-	25,123,949	9,362,453	-	-	55,228,629	89,715,031
Payment to refunded bonds escrow agent	-	-	(25,033,333)	(10,364,000)	-	-	(54,381,709)	(89,779,042)
Deferred charge - debt refunding	-	-	(974,895)	(3,560)	-	-	(2,246,363)	(3,224,818)
Capital lease	748,302	-	-	-	-	-	-	748,302
Total other financing sources (uses)	<u>(14,647,965)</u>	<u>17,641,016</u>	<u>21,473,523</u>	<u>31,996,102</u>	<u>38,249,214</u>	<u>1,233,341</u>	<u>26,962,489</u>	<u>122,907,720</u>
Net change in fund balances	<u>17,016,568</u>	<u>8,673,334</u>	<u>(1,566,661)</u>	<u>(7,208,826)</u>	<u>(46,263,410)</u>	<u>2,142,622</u>	<u>10,915,076</u>	<u>(16,291,297)</u>
Fund balances – beginning	53,225,915	20,937,637	(14,943,787)	(43,138,176)	(6,170,175)	13,125,537	66,560,446	89,597,397
Fund balances – ending	<u>\$ 70,242,483</u>	<u>29,610,971</u>	<u>(16,510,448)</u>	<u>(50,347,002)</u>	<u>(52,433,585)</u>	<u>15,268,159</u>	<u>77,475,522</u>	<u>73,306,100</u>

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, 2021

Net change in fund balances - total governmental funds (Exhibit 5) \$ (16,291,297)

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	240,976,100
Depreciation	(61,999,077)

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. (6,317,669)

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	(198,193,595)
New capital leases	(748,302)
Bond and note maturities	138,889,249
Capital lease principal payments	3,082,284
Net deferrals and amortization of bond premiums and deferred charges	(7,688,660)

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. (2,794,505)

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. (193,990)

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	11,489,857
OPEB expense	(115,214,910)
Judgments and claims	(510,106)
Compensated absences	(60,120)
Landfill closure and post closure care	221,000

Change in net position of governmental activities (Exhibit 2) \$ (15,353,741)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type activities				Governmental activities
	Major		Nonmajor		Internal Service Fund
	Water	Sewer	Golf Course	Totals	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 11,827,465	6,642,954	434,833	18,905,252	26,114,649
Restricted cash and cash equivalents	19,631,775	8,788,787	13,693	28,434,255	-
Receivables (net)	1,402,988	16,836,209	-	18,239,197	2,851,697
Total current assets	32,862,228	32,267,950	448,526	65,578,704	28,966,346
Noncurrent assets:					
Capital assets:					
Land	7,955,963	116,500	-	8,072,463	-
Construction-in-progress	-	-	-	-	-
Buildings	46,175,721	5,376,650	958,453	52,510,824	-
Infrastructure	194,287,743	289,803,374	3,831,573	487,922,690	-
Equipment and other	4,012,493	473,224	-	4,485,717	-
Rolling equipment	4,206,406	10,876,923	-	15,083,329	-
Less accumulated depreciation	(144,539,251)	(162,560,577)	(2,217,116)	(309,316,944)	-
Capital assets, net	112,099,075	144,086,094	2,572,910	258,758,079	-
Total assets	144,961,303	176,354,044	3,021,436	324,336,783	28,966,346
Deferred outflows of resources:					
Related to pensions	1,277,864	863,935	37,090	2,178,889	-
Related to OPEB	7,114,736	3,039,329	143,394	10,297,459	-
Total deferred outflows of resources	8,392,600	3,903,264	180,484	12,476,348	-
Liabilities:					
Current liabilities:					
Accounts payable	2,199,946	2,469,571	164,341	4,833,858	1,153,879
Accrued liabilities	865,437	1,365,760	35,377	2,266,574	8,243,357
Retainage payable	285,849	73,156	-	359,005	-
Judgments and claims	235,008	106,428	-	341,436	-
Compensated absences	404,973	218,964	15,809	639,746	-
Temporary loans	6,589,341	14,018,089	-	20,607,430	-
Other	203,048	123,320	12,737	339,105	-
Bonds and notes payable	5,041,425	6,771,917	314,807	12,128,149	-
Total current liabilities	15,825,027	25,147,205	543,071	41,515,303	9,397,236
Noncurrent liabilities:					
Judgments and claims	633,576	1,244,293	-	1,877,869	-
Compensated absences	73,886	28,126	12,533	114,545	-
Net pension liability	13,355,176	6,668,026	399,175	20,422,377	-
Net OPEB liability	25,410,517	11,656,616	432,323	37,499,456	-
Other	2,852,913	4,152,972	81,858	7,087,743	-
Bonds and notes payable	60,930,076	110,963,261	1,938,686	173,832,023	-
Total noncurrent liabilities	103,256,144	134,713,294	2,864,575	240,834,013	-
Total liabilities	119,081,171	159,860,499	3,407,646	282,349,316	9,397,236
Deferred inflows of resources:					
Related to pensions	4,794,107	2,210,202	91,527	7,095,836	-
Related to OPEB	505,986	216,151	10,198	732,335	-
Total deferred inflows of resources	5,300,093	2,426,353	101,725	7,828,171	-
Net position (deficit):					
Net investment in capital assets	55,097,397	16,177,087	238,515	71,512,999	-
Unrestricted	(26,124,758)	1,793,369	(545,966)	(24,877,355)	19,569,110
Total net position (deficit)	\$ 28,972,639	17,970,456	(307,451)	46,635,644	19,569,110

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, 2021

	Business-type activities			Governmental activities
	Major		Nonmajor	Internal
	Water	Sewer	Golf Course	Service Fund
Operating revenues:				
Charges for services	\$ 28,585,361	49,088,901	-	77,674,262
Employer contributions	-	-	-	-
Employee contributions	-	-	-	-
Fees	-	-	1,865,430	1,865,430
Miscellaneous	1,162,059	1,243,503	10,433	2,415,995
Total operating revenues	29,747,420	50,332,404	1,875,863	81,955,687
Operating expenses:				
Salaries and benefits	14,986,642	7,503,682	379,296	22,869,620
Benefit payments	-	-	-	-
Ordinary maintenance	4,569,531	25,170,346	910,325	30,650,202
Indirect costs	2,769,967	4,110,116	37,087	6,917,170
Depreciation	8,963,782	12,489,556	202,748	21,656,086
Total operating expenses	31,289,922	49,273,700	1,529,456	82,093,078
Operating income (loss)	(1,542,502)	1,058,704	346,407	(137,391)
Nonoperating revenues (expenses):				
Investment income	-	-	-	-
Refunding bonds issuance costs	(76,947)	(198,362)	(2,093)	(277,402)
Interest expense	(2,291,556)	(3,958,415)	(86,004)	(6,335,975)
Total nonoperating revenues (expenses)	(2,368,503)	(4,156,777)	(88,097)	(6,613,377)
Income (loss) before capital grants and transfers	(3,911,005)	(3,098,073)	258,310	(6,750,768)
Capital grants and donations	-	877	-	877
Transfers in	13,068,940	29,450	201,389	13,299,779
Transfers out	(13,684,090)	(522,480)	(18,403)	(14,224,973)
Change in net position	(4,526,155)	(3,590,226)	441,296	(7,675,085)
Total net position – beginning *	33,498,794	21,560,682	(748,747)	54,310,729
Total net position – ending	\$ 28,972,639	17,970,456	(307,451)	46,635,644

See accompanying notes to basic financial statements.

* Beginning net position is restated.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2021

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
Cash flows from operating activities:					
Receipts from customers	\$ 30,419,399	48,358,181	1,875,863	80,653,443	104,811,591
Payments for interfund service provided	-	-	-	-	(100,370,020)
Payments to suppliers	(8,533,843)	(29,022,716)	(900,244)	(38,456,803)	-
Payments to employees	(10,979,893)	(6,641,202)	(427,836)	(18,048,931)	-
Net cash provided (used) by operating activities	10,905,663	12,694,263	547,783	24,147,709	4,441,571
Cash flows from noncapital financing activities:					
Transfers in	13,068,940	29,450	201,389	13,299,779	-
Transfers (out)	(13,684,090)	(522,480)	(18,403)	(14,224,973)	-
Net cash provided (used) by noncapital financing activities	(615,150)	(493,030)	182,986	(925,194)	-
Cash flows from capital and related financing activities:					
Intergovernmental subsidies and grants	-	-	-	-	-
Issuance of capital debt (long & short)	33,691,249	60,736,114	220,682	94,648,045	-
Refunding bonds issuance costs	(76,947)	(198,362)	(2,093)	(277,402)	-
Acquisition and construction of capital assets	(6,160,278)	(12,049,376)	-	(18,209,654)	-
Principal paid on capital debt	(31,786,546)	(52,754,121)	(532,957)	(85,073,624)	-
Interest paid on capital debt	(2,337,341)	(3,922,504)	(102,295)	(6,362,140)	-
Net cash provided (used) by capital and related financing activities	(6,669,863)	(8,188,249)	(416,663)	(15,274,775)	-
Cash flows from investing activities:					
Investment income	-	-	-	-	37,354
Net increase (decrease) in cash and cash equivalents	3,620,650	4,012,984	314,106	7,947,740	4,478,925
Cash and cash equivalents at beginning 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
Cash and cash equivalents at end of year (includes \$19,631,775, \$8,788,787 and \$13,693 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	\$ 31,459,240	15,431,741	448,526	47,339,507	26,114,649
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,542,502)	1,058,704	346,407	(137,391)	(231,344)
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	8,963,782	12,489,556	202,748	21,656,086	-
Net deferred outflows	714,057	(1,295,171)	(45,035)	(626,149)	-
Net OPEB liability	4,522,033	2,733,308	11,325	7,266,666	-
Net deferred inflows	2,908,013	1,416,542	54,963	4,379,518	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	671,979	(1,974,223)	-	(1,302,244)	2,749,187
Accounts payable	(914,297)	211,307	53,770	(649,220)	1,153,879
Accrued liabilities	-	-	-	-	769,849
Judgments and claims payable	(209,017)	72,349	-	(136,668)	-
Compensated absences payable	(84,854)	(8,802)	3,303	(90,353)	-
Net pension liability	(4,123,531)	(2,009,307)	(79,698)	(6,212,536)	-
Total adjustments	12,448,165	11,635,559	201,376	24,285,100	4,672,915
Net cash provided (used) by operating activities	\$ 10,905,663	12,694,263	547,783	24,147,709	4,441,571

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Position

June 30, 2021*

	Pension and OPEB Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 6,338,516	457,281
Investments, at fair value:		
Equities	16,943,200	-
Fixed income	105,062,274	-
Pooled equities	350,129,939	-
Pooled fixed income	54,634,370	-
External investment pool	409,880,036	-
Real estate	48,307,875	-
Alternative investments	171,494,466	-
Total investments	1,156,452,160	-
Receivables:		
Accrued interest and dividends	406,762	-
Due from Commonwealth of Massachusetts and other systems	860,404	-
Receivable for securities sold	183,373	-
Other receivables	280,215	-
Total receivables	1,730,754	-
Total assets	1,164,521,430	457,281
Liabilities:		
Accounts payable and accrued expenses	186,469	10,762
Due to student groups	-	446,519
Due to Commonwealth of Massachusetts and other systems	3,238,365	-
Payable for securities purchased	1,274,543	-
Total liabilities	4,699,377	457,281
Net position		
Restricted for:		
Pensions	1,134,047,305	-
Postemployment benefits other than pensions	25,774,748	-
Total net position	\$ 1,159,822,053	-

* Except for the Pension Trust Fund (December 31, 2020)

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, 2021 *

	Pension and OPEB Trust Funds	Custodial Funds
Additions:		
Contributions from:		
Employers	\$ 92,888,524	-
Plan members	20,534,325	-
Total contributions	113,422,849	-
Investment earnings:		
Interest and dividends	22,908,438	-
Net realized and unrealized gains	102,518,066	-
Less: management fees	(6,895,875)	-
Net investment income	118,530,629	-
Other	1,564,632	152,754
Total additions	233,518,110	152,754
Deductions:		
Benefit payments to plan members and beneficiaries	122,469,649	-
Reimbursements to other systems	3,122,397	-
Refunds and transfers of plan member accounts to other systems	1,645,593	-
Administrative expenses	556,041	-
Other	-	152,754
Total deductions	127,793,680	152,754
Net increase (decrease) in net position	105,724,430	-
Net position restricted for pensions – beginning	1,054,097,623	-
Net position restricted for pensions – ending	<u>\$ 1,159,822,053</u>	<u>-</u>

* Except for the Pension Trust Fund (for the fiscal year ended December 31, 2020)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(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, 2021, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2020.

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, 2021

(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. In order to ensure that the City of Worcester, as the majority member of the board, retains a majority vote on the board, the board shall consist of 1 member representing each member of the District, except the City of Worcester, which shall appoint not less than 3 nor more than 5 board members. 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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

in 1974 as a body corporate and politic and political subdivision of the Commonwealth, 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 2021 amounted to \$3,887, which represented approximately 70.7% 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, 2021, the City implemented GASB Statements No. 84, Fiduciary Activities, No. 90 Majority Equity Interests, No. 93 Replacement of Interbank Offered Rates (with the exception for the provisions related to leases which is effective for fiscal year beginning after June 15, 2021 and the removal of LIBOR as an appropriate benchmark interest rate, which is effective for reporting periods ending after December 31, 2021), No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and No. 98 The Annual Comprehensive Financial Report.

The implementation of GASB Statement No. 84 resulted in certain activities formerly reported within the agency fund to be reported within the custodial funds of the fiduciary funds statement of net position and statement of changes in net position. The implementation of GASB Statement No. 98 changed the name of this report to the Annual Comprehensive Financial Report (ACFR).

The implementation of the other GASB Statements had no reporting impact for the City.

(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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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.

(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. Revenues are recorded when earned and expenses are recognized when incurred. 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

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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 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.
- **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.
- **Baseball Stadium** – accounts for financial resources used for the construction of the minor league baseball stadium.
- **City Grants** – accounts for various grants received from the federal and state governments for programs administered by City departments.

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.

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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.

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.
- **Custodial Funds** – The custodial funds are used to account for assets held in a purely custodial capacity.

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.

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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 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 lien 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, 2021, and therefore are not reported.

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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 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 2021. 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

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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 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.

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“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 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, 2021, 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

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liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2021 were \$221.

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 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.

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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 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 2021, the original general fund expenditure budget, excluding intergovernmental charges, was decreased by \$14,682. In fiscal 2021, expenditures exceed budgetary estimates for intergovernmental expenditures by \$193.

(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

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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 and OPEB Trust Fund (excluding component units)

Deposits - Custodial Credit Risk (City and OPEB Trust Fund)

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 participate in private insurance such as the Depository Insurer's Fund, and to collateralize certain bank accounts. As of June 30, 2021, \$197,456 of the City's bank balance of \$418,290 was insured and collateralized with securities held by pledging financial institutions or through participation in a private insurer's fund and \$220,834 was uninsured and uncollateralized.

Investments Summary (City and OPEB Trust Fund)

The City's investments at June 30, 2021, 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.....	\$ 203	203	-	-	-
Fixed income securities.....	7,837	7,837	-	-	-
External investment pools.....	216,808	216,808	-	-	-
Total debt securities.....	224,848	\$ 224,848	-	-	-
<u>Other investments:</u>					
Equity mutual funds.....	19,505				
Total investments.....	\$ 244,353				

External investment pools consist of MMDT and the Pension Reserve Investment Trust (PRIT). For both MMDT and PRIT, the Treasurer of the Commonwealth of Massachusetts serves as Trustee, the fair value of the position in the pool is the same as the value of the pool shares and there are no restrictions on withdrawals.

Investments - Interest Rate Risk of Debt Securities (City and OPEB Trust Fund)

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

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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 and OPEB Trust Fund)

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, 2021, none of the City's investments were exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities (City and OPEB Trust Fund)

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, 2021 the City's investment in debt securities did not have credit quality ratings with a national credit rating organization.

Investments – Fair Value Measurements (City and OPEB Trust Fund)

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, 2021:

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)
<u>Debt Securities:</u>				
Fixed income securities.....	\$ 7,837	7,837	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	19,505	19,505	-	-
Total investments by fair value level.....	27,342	\$ 27,342	-	-
Total investments measured at fair value..	\$ 27,342			

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

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(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.

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, 2020, the WRS's bank balance of \$2,470 was not exposed to custodial credit risk.

Investments Summary (WRS)

The WRS's investments at December 31, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 50,016	\$ 200	24,571	21,146	4,099
U.S. Agencies.....	20,437	-	658	674	19,105
Corporate bonds.....	25,517	444	7,685	3,590	13,798
Money market mutual funds.....	5,454	5,454	-	-	-
External investment pool.....	384,114	384,114	-	-	-
Fixed income mutual funds.....	54,635	54,635	-	-	-
Mortgage backed securities.....	6,081	-	-	977	5,104
Asset backed securities.....	3,011	-	2,149	-	862
Total debt securities.....	549,265	\$ 444,847	35,063	26,387	42,968
<u>Other investments:</u>					
Equity securities.....	16,943				
Equity mutual funds.....	350,130				
Real estate investments.....	48,308				
Alternative investments.....	171,494				
Total other investments.....	586,875				
Total investments.....	\$ 1,136,140				

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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.

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, 2020, 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, 2020, 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.....	\$ -	2,226	-	-	-	1,871	1,890	5,987
AA+.....	674	431	-	-	-	-	-	1,105
AA.....	658	956	-	-	-	-	-	1,614
AA-.....	325	1,403	-	-	-	-	-	1,728
A+.....	-	1,041	-	-	-	-	-	1,041
A.....	-	1,417	-	-	-	-	-	1,417
A-.....	-	2,767	-	-	-	556	-	3,323
BBB+.....	-	5,188	-	-	-	-	334	5,522
BBB.....	-	5,991	-	-	-	-	212	6,203
BBB-.....	-	1,240	-	-	-	-	-	1,240
Unrated.....	18,780	2,857	5,454	54,635	384,114	3,654	575	470,069
Total.....	\$ 20,437	25,517	5,454	54,635	384,114	6,081	3,011	499,249

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

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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, 2020, 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 its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2020, 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, 2020:

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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)
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 50,016	\$ 50,016	-	-
U.S. Agencies.....	20,437	-	20,437	-
Corporate bonds.....	25,517	-	25,517	-
Fixed income mutual funds.....	54,635	-	54,635	-
Mortgage backed securities.....	6,081	-	6,081	-
Asset backed securities.....	3,011	-	3,011	-
Total debt securities.....	<u>159,697</u>	<u>50,016</u>	<u>109,681</u>	<u>-</u>
<u>Equity Securities:</u>				
Equity securities.....	16,943	16,943	-	-
Equity mutual funds.....	248,719	-	248,719	-
Total equity securities.....	<u>265,662</u>	<u>16,943</u>	<u>248,719</u>	<u>-</u>
Total investments by fair value level.....	<u>425,359</u>	<u>\$ 66,959</u>	<u>358,400</u>	<u>-</u>
<u>Investments measured at the net asset value (NAV)</u>				
Private equities.....	119,569			
Real estate.....	48,308			
Investments measured at the net asset value (NAV)	<u>167,877</u>			
<u>Other investments measured at fair value</u>				
External investment pool (PRIT).....	384,114			
Pooled international equities fund (PRIT).....	101,411			
Other pooled funds (PRIT).....	51,925			
Other investments measured at fair value.....	<u>537,450</u>			
Total investments measured at fair value.....	<u>\$ 1,130,686</u>			

Debt and equity securities in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 is valued using significant other observable inputs.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities (1).....	\$ 119,569	30,785	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2).....	48,308	690	N/A ⁽²⁾	N/A ⁽²⁾
Total investments measured at NAV.....	<u>\$ 167,877</u>			

(1) *Private equities* - This investment type includes investments in 28 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

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System's ownership interest in partners' capital. Approximately 37.4 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 4.7 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 92.7 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)

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

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

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

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets. State laws and regulations require the District to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. treasury bonds, repurchase agreements, and the State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust, or MMDT. In addition, the statutes impose various limitations on the amount and length of investments and deposits.

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Deposits – Custodial Credit Risk (*The District*)

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District relies on depository insurance coverage at each financial institution to address this risk. At June 30, 2021 \$1,361 in bank deposits were uninsured.

Investments – Fair Value Measurements (*The District*)

The following table presents the District's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

Investments by Fair Value Level	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. Treasury notes	\$ 4,341	4,341	-	-
U.S. government agency notes	1,368	-	1,368	-
Total Debt Securities	5,709	4,341	1,368	-
Equity securities	11,299	11,299	-	-
Mutual funds	556	-	556	-
Total investments by fair value	17,564	\$ 15,640	1,924	-
Investments measured at amortized cost:				
MMDT	892			
Total Investments	\$ 18,456			

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 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.

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Investment Maturities (The District)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt securities:				
U.S. government obligation and notes	\$ 5,709	<u>1,288</u>	<u>3,887</u>	<u>534</u>
Other investments:				
Equity securities	11,299			
Mutual funds	556			
MMDT	<u>892</u>			
Total investments	\$ <u>18,456</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, 2021, 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.

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, 2021, approximately 24% 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, 2021.

(d) Deposits of the WRA

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

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, 2021, none of the WRA's bank balance of \$5,830 was uninsured and uncollateralized.

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(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, 2020:

Active employees	3,411
Pensioners and beneficiaries	2,724
Inactive employees not entitled to or not receiving benefits	986
Inactive employees entitled to or receiving benefits	135
Total members	<u>7,256</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.

(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).

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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 due and payable and administrative expenses are funded through investment earnings.

(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

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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 \$699 for the fiscal year ended June 30, 2021 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2020, active member contributions totaled \$20,534 and employer contributions totaled \$55,511. Contributions to WRS from the City were \$51,104 for the year ended June 30, 2021.

(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, 2020, were as follows:

Total pension liability	\$	1,593,408
Plan fiduciary net position		<u>(1,134,047)</u>
Net pension liability	\$	<u><u>459,361</u></u>
Plan fiduciary net position as a percentage of the total pension liability		71.17%

At June 30, 2021, the City reported a liability of \$422,895 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. The City's proportion of the net pension liability is the proportionate share of employer contributions to WRS for the year ended December 31, 2020, actuarially determined. At December 31, 2020, the City's proportion was 92.06 percent, which was 0.23 percentage points lower than the proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$38,348. At June 30, 2021, the City reported deferred outflows (inflows) of resources of (\$39,146) related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows (inflows) of resources related to pensions		
Changes of assumptions	\$ 32,492	-
Net difference between projected and actual earnings on WRS investments	-	59,238
Change in proportion and differences between employer contributions and proportionate share of contributions	4,671	5,207
Differences between expected and actual experience	1,098	12,962
Total	\$ <u>38,261</u>	<u>77,407</u>

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2021 that will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ (10,179)
2023	1,023
2024	(16,766)
2025	(10,095)
2026	(1,573)
2027	(1,556)
	\$ <u>(39,146)</u>

(e) Actuarial Assumptions and Methods (WRS)

The total pension liability was determined by an actuarial valuation as of January 1, 2021, 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 decreasing 69.68% in 2034.
Remaining amortized period (period is closed)	1 year for the 2010 ERI liability 13 years for the remaining unfunded liability 13 years is the equivalent single amortization period (ESAP)

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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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2020 through December 31, 2020. 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 basis,

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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, 2020:

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, 2020, the annual money-weighted rate of return on WRS investments, net of investment expense, was 11.56%. 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, 2020 are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return (%)
Domestic equity	6.28
International developed markets equity	7.00
International emerging markets equity	8.82
Core fixed income	0.38
High-yield fixed income	2.97
Real estate	3.50
Commodities	3.45
Hedge fund, global tactical asset allocation, risk parity	2.35
Infrastructure	5.51
Private equity	10.11

(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	\$ 644,070	\$ 459,361	\$ 304,084

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	\$ 592,942	\$ 422,895	\$ 279,945

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

The balance in WRS's legally required reserves as of December 31, 2020 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 213,482	Active members' contribution balance
Annuity Reserve Fund	64,356	Retired members' contribution account
Military Service Fund	212	Members' contribution account while on military leave
Pension Reserve Fund	854,825	Amounts appropriated to fund future retirement benefits
Pension Fund	1,172	Remaining net position
Total	\$ 1,134,047	

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/acfr-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

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become vested after ten years of creditable service. A superannuation retirement allowance may be 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, 2021. The Commonwealth's net pension liability associated with the City was \$765,600.

The MTRS' net pension liability was measured as of June 30, 2020, 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, 2020.

For the year ended June 30, 2021, the City recognized pension expense of \$94,563 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, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

Investment rate of return	7.15%
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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 PUB-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
	Post-retirement - reflects PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
	Disability – assumed to be in accordance with PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (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, 2020 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.8
Core fixed income	15.0	0.7
Private equity	13.0	8.2
Portfolio completion strategies	11.0	3.2
Real estate	10.0	3.5
Value Added Fixed Income	8.0	4.2
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 7.15 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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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 2021.

(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 \$503 to MSERS in fiscal year 2021. 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, 2021, the District reported a liability of \$11,235 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, 2020, 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, 2020 which was consistent with the prior year.

For the year ended June 30, 2021, the District recognized pension expense of \$1,641. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 357	73
Changes in assumptions	637	-
Net difference between projected and actual earnings on plan investments	618	-
Changes in proportionate share of contributions	239	106
District contributions subsequent to the measurement date	477	-
Total	<u>\$ 2,328</u>	<u>179</u>

\$477 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as pension expense in fiscal year 2022. Other 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>	
2022	\$ 330
2023	484
2024	505
2025	332
2026	21
	<u>\$ 1,672</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:

- 7.15% investment rate of return (formerly 7.25%);
- 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

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- Disability – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward one year.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.8
Core fixed income	15.0	0.7
Private equity	13.0	8.2
Portfolio completion strategies	11.0	3.2
Real estate	10.0	3.5
Value Added Fixed Income	8.0	4.2
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 7.15% which is a reduction from the previous rate of 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and 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.

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(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 7.15% 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 14,803	\$ 11,235	\$ 8,303

(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, 2021, the latest actuarial valuation, is as follows:

Inactive employees currently receiving benefit payments	4,116
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>5,625</u>
Total	<u>9,741</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. 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.

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(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 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, 2021
Valuation date:	July 1, 2020
Actuarial cost method:	Entry Age Normal
Discount rate:	2.16%
Prior year discount rate	3.45%
Inflation rate:	2.20%
Salary scale:	3.50%
Healthcare/Medical cost trend rate:	7.0% increase for the next year and then decreasing to 4.0% after fifty-five years.
Pre-Retirement Mortality:	RP-2014 blue collar employee table, generational with projection scale MP-2017.
Post-Retirement Mortality:	RP-2014 blue collar healthy annuitant table, generational with projection scale MP-2017.
Post-Disability Mortality:	RP-2014 blue collar healthy annuitant table set one year forward, generational with projection scale MP-2017.

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Long-Term Expected Rate of Return (City) - The City's OPEB investments are entirely invested with the Commonwealth's Pension Reserve Investment Management Board. The long-term expected rate of return on 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 OPEB Plan's target allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.38
Core fixed income	15.0	0.05
Private equity	13.0	8.00
Portfolio completion strategies	11.0	3.00
Real estate	10.0	3.80
Value Added Fixed Income	8.0	4.00
Timber/Natural Resources	4.0	4.40
	<u>100.0</u>	

Discount rate (City) - The discount rate used to measure the total OPEB liability was 2.16 percent as of the measurement date or June 30, 2021 and equal to the single rate that reflects the long-term expected rate of return on OPEB plan investments to the extent that the OPEB plan's assets, which are expected to be invested using a strategy to achieve that return, are sufficient to pay benefits, and a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

(d) Net OPEB Liability (City)

The City's net OPEB liability of \$1,508,114 was measured as of June 30, 2021 for the year ended June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020. The Plan's fiduciary net position of \$25,775 represents 1.7% of the total OPEB liability of \$1,533,889.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020 *	\$ 1,162,534	\$ 20,506	\$ 1,142,028
Changes for the year:			
Service cost	47,108	-	47,108
Interest	29,224	-	29,224
Differences between expected and actual experience	(31,076)	-	(31,076)
Changes in assumptions/inputs	359,707	-	359,707
Employer contributions	-	3,769	(3,769)
Contributions for benefits due	-	33,608	(33,608)
Net investment income	-	1,500	(1,500)
Benefit payments	(33,608)	(33,608)	-
Net changes	<u>371,355</u>	<u>5,269</u>	<u>366,086</u>
Balances at June 30, 2021	<u><u>\$ 1,533,889</u></u>	<u><u>\$ 25,775</u></u>	<u><u>\$ 1,508,114</u></u>

* As restated

(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 2.16%, 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 1.16%	No change 2.16%	1% increase 3.16%
Net OPEB liability	\$ 1,828,861	1,508,114	1,260,946

(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 7.0% 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		
	1% decrease	No change	1% increase
Net OPEB liability	\$ 1,226,436	1,508,114	1,887,010

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$158,667.

OPEB Expense	
Service cost	\$ 47,108
Interest on the Total OPEB Liability (TOL)	29,224
Projected earnings on plan investments	(385)
Expensed portion of current-period differences between expected & actual experience in the TOL	12,629
Expensed portion of current-period differences between actual & projected earnings on plan investments	(325)
Expensed portion of changes of assumptions or other inputs	<u>70,416</u>
Total OPEB expense	\$ <u><u>158,667</u></u>

At June 30, 2021, the City reported deferred outflows of 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	\$ 54,585	\$ 26,466
Changes in assumptions or other inputs	334,396	-
Difference between expected and actual earnings on OPEB plan investments	-	1,198
Total	<u>\$ 388,981</u>	<u>\$ 27,664</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:

2022	\$	82,720
2023		73,267
2024		63,743
2025		56,748
2026		48,758
Thereafter		36,081
	\$	<u>361,317</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, 2021, the latest actuarial valuation, is as follows:

Retired employees and survivors	35
Active employees	<u>59</u>
Total	<u>94</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 equity	30% to 70%
Domestic fixed income	30% to 70%
Mutual funds	0% to 30%
Money market funds	0% to 30%

The money-weighted investment return for fiscal 2021 was 37.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(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
- 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, 2021 and a measurement date of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2021 were as follows:

Total OPEB liability	\$ 5,353
Plan fiduciary net position	(3,288)
Net OPEB liability	<u>\$ 2,065</u>

Plan fiduciary net position as a percentage of the total OPEB liability	61.4%
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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 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, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 5,175	\$ 2,373	\$ 2,802
Changes for the year:			
Service cost	131	-	131
Interest	377	-	377
Differences in experience	(135)	-	(135)
Employer contributions	-	395	(395)
Net investment income	-	715	(715)
Benefit payments	(195)	(195)	-
Net changes	178	915	(737)
Balances at June 30, 2021	\$ 5,353	\$ 3,288	\$ 2,065

(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 61.4%.

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	Discount Rate		
	1% decrease (6.25%)	No change (7.25%)	1% increase (8.25%)
Net OPEB liability	\$ 2,730	\$ 2,065	\$ 1,512

(i) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend 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 (3.50%)	No change (4.50%)	1% increase (5.50%)
Net OPEB liability	\$ 1,461	\$ 2,065	\$ 2,796

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$223. At June 30, 2021, 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	\$ 993	\$ 692
Changes in assumptions	151	982
Difference between expected and actual earnings on OPEB plan investments	-	216
Total	\$ 1,144	\$ 1,890

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

2022	\$	(108)
2023		(108)
2024		(102)
2025		(405)
2026		(17)
2027		(6)
	<u>\$</u>	<u>(746)</u>

(10) Accounts Receivable

At June 30, 2021, 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:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Governmental Funds			
Property taxes	\$ 12,537	(6,376)	6,161
Tax liens	3,834	(379)	3,455
Motor vehicle excise taxes	7,209	(2,400)	4,809
Special assessments	3,979	-	3,979
Departmental and other	5,869	(1,770)	4,099
	<u>33,428</u>	<u>(10,925)</u>	<u>22,503</u>
Intergovernmental	38,632	-	38,632
Total governmental funds	<u>72,060</u>	<u>(10,925)</u>	<u>61,135</u>
Internal Service Fund			
Self-insured health plan	2,852	-	2,852
Total internal service fund	<u>2,852</u>	<u>-</u>	<u>2,852</u>
Fiduciary Fund			
Departmental and other	871	-	871
Intergovernmental	860	-	860
Total fiduciary funds	<u>1,731</u>	<u>-</u>	<u>1,731</u>
Total receivables	<u>\$ 76,643</u>	<u>(10,925)</u>	<u>65,718</u>

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At June, 30, 2021, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Charges for services	\$ 14,565	-	14,565
Utility liens	1,859	-	1,859
Special assessments	1,815	-	1,815
Total enterprise funds	<u>\$ 18,239</u>	<u>-</u>	<u>18,239</u>

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)	\$ 4,003	-	4,003
Unavailable revenue-property taxes			
Property taxes	3,405	-	3,405
Tax liens	3,258	-	3,258
	<u>6,663</u>	<u>-</u>	<u>6,663</u>
Unavailable revenue-other			
Special assessments	3,979	-	3,979
Departmental and other	1,026	3,073	4,099
Motor vehicle excise tax	1,859	-	1,859
Intergovernmental (other state)	1,055	-	1,055
	<u>7,919</u>	<u>3,073</u>	<u>10,992</u>
Total deferred inflows of resources	<u>\$ 18,585</u>	<u>3,073</u>	<u>21,658</u>

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 2021, \$4,736 of such assistance was received. Approximately \$4,736 will be received in future fiscal years. Of this amount, \$733 represents reimbursement of long-term interest costs, and \$4,003 represents reimbursement of approved construction costs. Accordingly, a \$4,003 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

June 30, 2021

(in thousands of dollars)

(11) Capital Assets

Capital asset activity for the year ended June 30, 2021 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	\$ 23,631	21,746	-	45,377
Construction in progress	201,083	218,648	218,796	200,935
Total capital assets not being depreciated	<u>224,714</u>	<u>240,394</u>	<u>218,796</u>	<u>246,312</u>
Capital assets, being depreciated:				
Buildings	814,656	162,184	-	976,840
Improvements other than buildings	228,349	10,742	-	239,091
Rolling equipment	38,941	2,008	-	40,949
Equipment and other	41,394	30,855	-	72,249
Infrastructure	354,444	13,589	-	368,033
	<u>1,477,784</u>	<u>219,378</u>	<u>-</u>	<u>1,697,162</u>
Less accumulated depreciation for:				
Buildings	377,372	28,163	-	405,535
Improvements other than buildings	58,520	11,548	-	70,068
Rolling equipment	28,500	2,745	-	31,245
Equipment and other	20,214	5,364	-	25,578
Infrastructure	191,789	14,179	-	205,968
	<u>676,395</u>	<u>61,999</u>	<u>-</u>	<u>738,394</u>
Total capital assets being depreciated, net	<u>801,389</u>	<u>157,379</u>	<u>-</u>	<u>958,768</u>
Governmental capital assets, net	<u>\$ 1,026,103</u>	<u>397,773</u>	<u>218,796</u>	<u>1,205,080</u>

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

Governmental activities:

General government	\$ 4,243
Public safety	3,268
Health and human services	168
Education	18,953
Public works	24,823
Culture and recreation	10,494
Community development	<u>50</u>
Total depreciation expense – governmental activities	<u>\$ 61,999</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

	<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	124	-	7,956
Total capital assets, not being depreciated	7,832	124	-	7,956
Capital assets, being depreciated:				
Buildings	46,176	-	-	46,176
Rolling equipment	3,864	343	-	4,207
Infrastructure	188,554	5,734	-	194,288
Equipment and other	3,924	88	-	4,012
Total capital assets, being depreciated	242,518	6,165	-	248,683
Less accumulated depreciation for:				
Buildings	27,105	1,296	-	28,401
Rolling equipment	3,170	220	-	3,390
Infrastructure	103,766	7,008	-	110,774
Equipment and other	1,535	440	-	1,975
Total accumulated depreciation	135,576	8,964	-	144,540
Total capital assets, being depreciated, net	106,942	(2,799)	-	104,143
Water capital assets, net	114,774	(2,675)	-	112,099
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Total capital assets, not being depreciated	117	-	-	117
Capital assets, being depreciated:				
Buildings	5,376	-	-	5,376
Rolling equipment	9,886	990	-	10,876
Infrastructure	278,954	10,848	-	289,802
Equipment and other	473	-	-	473
Total capital assets, being depreciated	294,689	11,838	-	306,527
Less accumulated depreciation for:				
Buildings	3,246	208	-	3,454
Rolling equipment	7,772	725	-	8,497
Infrastructure	138,598	11,542	-	150,140
Equipment and other	453	14	-	467
Total accumulated depreciation	150,069	12,489	-	162,558
Total capital assets, being depreciated, net	144,620	(651)	-	143,969
Sewer capital assets, net	144,737	(651)	-	144,086

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Golf course (nonmajor):				
Capital assets, being depreciated:				
Buildings	959	-	-	959
Infrastructure	<u>3,831</u>	<u>-</u>	<u>-</u>	<u>3,831</u>
Total capital assets, being depreciated	<u>4,790</u>	<u>-</u>	<u>-</u>	<u>4,790</u>
Less accumulated depreciation for:				
Buildings	566	43	-	609
Infrastructure	<u>1,448</u>	<u>160</u>	<u>-</u>	<u>1,608</u>
Total accumulated depreciation	<u>2,014</u>	<u>203</u>	<u>-</u>	<u>2,217</u>
Total capital assets, being depreciated, net	<u>2,776</u>	<u>(203)</u>	<u>-</u>	<u>2,573</u>
Golf capital assets, net	<u>2,776</u>	<u>(203)</u>	<u>-</u>	<u>2,573</u>
Business-type activities capital assets, net	<u>\$ 262,287</u>	<u>(3,529)</u>	<u>-</u>	<u>258,758</u>

	<u>Beginning balance (a)</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>5,554</u>	<u>133</u>	<u>19</u>	<u>5,668</u>
Total capital assets, not being depreciated	<u>6,279</u>	<u>133</u>	<u>19</u>	<u>6,393</u>
Capital assets, being depreciated:				
Treatment facilities	279,428	464	-	279,892
Equipment and other	<u>15,223</u>	<u>785</u>	<u>19</u>	<u>15,989</u>
Total capital assets, being depreciated	<u>294,651</u>	<u>1,249</u>	<u>19</u>	<u>295,881</u>
Less accumulated depreciation for:				
Treatment facilities	122,370	7,637	-	130,007
Equipment and other	<u>8,307</u>	<u>1,010</u>	<u>19</u>	<u>9,298</u>
Total accumulated depreciation	<u>130,677</u>	<u>8,647</u>	<u>19</u>	<u>139,305</u>
Total capital assets, being depreciated, net	<u>163,974</u>	<u>(7,398)</u>	<u>-</u>	<u>156,576</u>
The District's capital assets, net	<u>\$ 170,253</u>	<u>(7,265)</u>	<u>19</u>	<u>162,969</u>

(a) The beginning balances were restated: refer to Note 25

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component units - WRA:				
Capital assets, not being depreciated				
Land	\$ 1,055	-	-	1,055
Construction in progress	7,728	197	7,925	-
Total capital assets not being depreciated	<u>8,783</u>	<u>197</u>	<u>7,925</u>	<u>1,055</u>
Capital assets, being depreciated:				
Land improvements	109	-	-	109
Buildings	41,064	7,925	-	48,989
Equipment	119	-	-	119
Total capital assets being depreciated	<u>41,292</u>	<u>7,925</u>	<u>-</u>	<u>49,217</u>
Less accumulated depreciation for:				
Land improvements	83	5	-	88
Buildings	19,185	1,155	-	20,340
Equipment	73	1	-	74
Total accumulated depreciation	<u>19,341</u>	<u>1,161</u>	<u>-</u>	<u>20,502</u>
Total capital assets being depreciated, net	<u>21,951</u>	<u>6,764</u>	<u>-</u>	<u>28,715</u>
WRA capital assets, net	<u>\$ 30,734</u>	<u>6,961</u>	<u>7,925</u>	<u>29,770</u>

Construction Commitments

The City has active construction projects as of June 30, 2021. 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, 2021</u>	<u>Remaining commitment</u>
Building improvements	\$ 170,571	52,136
Infrastructure improvements	120,245	41,422
Land improvements	18,136	4,184
Total	<u>\$ 308,952</u>	<u>97,742</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, 2021

(in thousands of dollars)

(12) Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021 is summarized as follows:

Governmental Activities

Capital assets	\$ 1,943,474
Less accumulated depreciation	(738,394)
Less outstanding long-term debt (including capital leases)	(646,539)
Less outstanding temporary debt	(163,330)
Add outstanding debt that is not capital related	94,929
Add unspent proceeds of capital related debt	<u>65,722</u>
	555,862
Less retainage	<u>(10,686)</u>
Net investment in capital assets	\$ <u><u>545,176</u></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	\$ 256,639	306,644	4,790	568,073
Less accumulated depreciation	(144,540)	(162,558)	(2,217)	(309,315)
Less outstanding long-term debt	(69,028)	(122,011)	(2,348)	(193,387)
Less outstanding temporary debt	(6,589)	(14,018)	-	(20,607)
Add unspent proceeds of capital related debt	<u>18,901</u>	<u>8,193</u>	<u>14</u>	<u>27,108</u>
	55,383	16,250	239	71,872
Less retainage	<u>(286)</u>	<u>(73)</u>	<u>-</u>	<u>(359)</u>
Net investment in capital assets	\$ <u><u>55,097</u></u>	<u><u>16,177</u></u>	<u><u>239</u></u>	<u><u>71,513</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(13) Leases

(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, \$386 was included in depreciation expense. The net book value of the equipment is \$965. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 480
2023	<u>481</u>
Total minimum lease payments	961
Less: amount representing interest	<u>(51)</u>
Present value of minimum lease payments	<u>\$ 910</u>

The portion of the capital lease that is due within one year is \$442 and amounts due in more than one year total \$468.

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 \$481. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 216
2023	216
2024	<u>108</u>
Total minimum lease payments	540
Less: amount representing interest	<u>(33)</u>
Present value of minimum lease payments	<u>\$ 507</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

The portion of the capital lease that is due within one year is \$196 and amounts due in more than one year total \$311.

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 \$4,858. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 695
2023	695
2024	695
2025	695
2026	695
2027 - 2030	<u>3,478</u>
Total minimum lease payments	6,953
Less: amount representing interest	<u>(1,257)</u>
Present value of minimum lease payments	<u>\$ 5,696</u>

The portion of the capital lease that is due within one year is \$477 and amounts due in more than one year total \$5,219.

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 \$463. 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, 2021, were as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2022	\$ 147
2023	147
2024	<u>140</u>
Total minimum lease payments	434
Less: amount representing interest	<u>(31)</u>
Present value of minimum lease payments	<u><u>\$ 403</u></u>

The portion of the capital lease that is due within one year is \$131 and amounts due in more than one year total \$272.

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 \$800. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 211
2023	212
2024	240
2025	<u>240</u>
Total minimum lease payments	903
Less: amount representing interest	<u>(75)</u>
Present value of minimum lease payments	<u><u>\$ 828</u></u>

The portion of the capital lease that is due within one year is \$179 and amounts due in more than one year total \$649.

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, \$146 was included in depreciation expense. The net book value of the equipment is \$510. 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 131
2023	131
2024	130
2025	<u>150</u>
Total minimum lease payments	542
Less: amount representing interest	<u>(49)</u>
Present value of minimum lease payments	<u>\$ 493</u>

The portion of the capital lease that is due within one year is \$112 and amounts due in more than one year total \$381.

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, \$303 was included in depreciation expense. The net book value of the equipment is \$1,062. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 391
2023	<u>391</u>
Total minimum lease payments	782
Less: amount representing interest	<u>(14)</u>
Present value of minimum lease payments	<u>\$ 768</u>

The portion of the capital lease that is due within one year is \$382 and amounts due in more than one year total \$386.

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 \$176.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 86
Total minimum lease payments	86
Less: amount representing interest	<u>(3)</u>
Present value of minimum lease payments	<u>\$ 83</u>

The portion of the capital lease that is due within one year is \$83.

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 \$458. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 142
2023	142
2024	<u>142</u>
Total minimum lease payments	426
Less: amount representing interest	<u>(28)</u>
Present value of minimum lease payments	<u>\$ 398</u>

The portion of the capital lease that is due within one year is \$128 and amounts due in more than one year total \$270.

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, \$49 was included in depreciation expense. The net book value of the equipment is \$171. This lease

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 52
2023	53
2024	<u>53</u>
Total minimum lease payments	158
Less: amount representing interest	<u>(12)</u>
Present value of minimum lease payments	<u>\$ 146</u>

The portion of the capital lease that is due within one year is \$47 and amounts due in more than one year total \$99.

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, \$265 was included in depreciation expense. The net book value of the equipment is \$928. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 285
2023	285
2024	<u>286</u>
Total minimum lease payments	856
Less: amount representing interest	<u>(62)</u>
Present value of minimum lease payments	<u>\$ 794</u>

The portion of the capital lease that is due within one year is \$255 and amounts due in more than one year total \$539.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(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 \$1,325. The equipment has a five-year estimated useful life. This year, \$265 was included in depreciation expense. The net book value of the equipment is \$928. 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 285
2023	285
2024	<u>286</u>
Total minimum lease payments	856
Less: amount representing interest	<u>(62)</u>
Present value of minimum lease payments	<u>\$ 794</u>

The portion of the capital lease that is due within one year is \$255 and amounts due in more than one year total \$539.

The City entered into a lease agreement in fiscal 2021 as lessee for financing the acquisition of school buses valued at \$748. The equipment has a five-year estimated useful life. This year, \$75 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, 2021, were as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 135
2023	135
2024	135
2025	135
2026	<u>116</u>
Total minimum lease payments	656
Less: amount representing interest	<u>(41)</u>
Present value of minimum lease payments	<u>\$ 615</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

The portion of the capital lease that is due within one year is \$121 and amounts due in more than one year total \$494.

(b) Operating Leases – Lessor

The City leases a ballpark under an operating lease. Total revenues from this lease were \$8 for the fiscal year ended June 30, 2021.

Future minimum lease payments as of June 30, 2021 are as follows:

Year ending June 30:	
2022	\$ 113
2023	1,119
2024	2,415
2025	2,795
2026	2,844
Thereafter	<u>87,890</u>
Total minimum lease payments	<u>\$ 97,176</u>

(c) Operating Leases - Lessee

The City conducts its student transportation operations from a leased facility and bus yard under a non-cancelable operating lease. Total costs for the lease was \$98 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

Year ending June 30:	
2022	\$ 1,175
2023	1,210
2024	1,247
2025	1,284
2026	1,322
2027-2041	<u>25,333</u>
Total minimum lease payments	<u>\$ 31,571</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

The City currently leases a parking lot for staff of the school department under a non-cancelable operating lease. Total cost for the lease was \$37 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

Year ending June 30:	
2022	\$ 63
2023	64
2024	65
2025	66
2026	55
Total minimum lease payments	<u>\$ 313</u>

The City currently leases ten thousand square feet of premises for use as a public school facility. Total cost for the lease was \$218 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

Year ending June 30:	
2022	\$ 228
2023	228
2024	235
Total minimum lease payments	<u>\$ 691</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 \$50 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 52
2023	53
2024	55
2025	56
Total	<u>\$ 216</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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, 2021. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 24
2023	24
2024	24
2025	24
Total minimum lease payments	<u>\$ 96</u>

The City leases office space for the use of the workforce career center. The lease is for five years terminating December 2025 with annual rent subject to increases based on increases in the consumer price index. Total costs for the lease was \$289 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2022	\$ 289
2023	289
2024	289
2025	289
2026	137
Total minimum lease payments	<u>\$ 1,293</u>

The City leases office space for the use of the workforce career center. The lease is for five years terminating February 2022. Total costs for the lease was \$82 for the year ended June 30, 2021. Future minimum lease payments for the lease are as follows:

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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, 2021. Future minimum lease payments for the lease are as follows:

Year ending June 30:	
2022	\$ 43
2023	43
2024	43
Total minimum lease payments	<u>\$ 129</u>

(d) Operating Leases – Lessor (WRA)

The WRA leases space from Union Station under operating leases. Total revenues from this lease were \$650 for the fiscal year ended June 30, 2021.

Future minimum lease payments as of June 30, 2021 are as follows:

Year ending June 30:	
2022	\$ 618
2023	627
2024	535
2025	544
2026	553
Thereafter	1,715
Total minimum lease payments	<u>\$ 4,592</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(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	\$ 217,543	100,596	79,670	238,469	24,596
Outside debt limit	326,202	97,598	59,127	364,673	23,963
Notes from direct borrowings	1,630	-	92	1,538	97
Capital lease payable	14,769	748	3,082	12,435	2,808
Judgments and claims	16,031	5,436	4,926	16,541	4,288
Compensated absences	15,893	15,952	15,893	15,952	11,037
Landfill closure and post closure care costs	11,299	-	221	11,078	500
Net pension liability	454,355	-	51,882	402,473	-
Net OPEB liability	999,158	471,457	-	1,470,615	-
Deferred charge on debt refunding	-	(3,225)	(1,079)	(2,146)	(1,643)
Deferred amounts on bond premium	21,735	16,044	6,209	31,570	5,843
	<u>\$ 2,078,615</u>	<u>704,606</u>	<u>220,023</u>	<u>2,563,198</u>	<u>71,489</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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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.

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:					
Inside debt limit	\$ 19,729	5,225	5,159	19,795	1,723
Outside debt limit	148,910	66,026	52,961	161,975	10,107
Notes from direct borrowings	4,479	-	289	4,190	298
Judgments and claims	2,356	396	533	2,219	341
Compensated absences	845	754	844	755	640
Net pension liability	26,635	-	6,213	20,422	-
Net OPEB liability	27,170	10,329	-	37,499	-
Deferred charge on debt refunding	-	(1,543)	(516)	(1,027)	(786)
Deferred amounts on bond premium	5,182	4,332	1,060	8,454	1,125
	<u>\$ 235,306</u>	<u>85,519</u>	<u>66,543</u>	<u>254,282</u>	<u>13,448</u>

On September 1, 2020 the City issued general obligation bonds totaling \$3,302 for the ballpark project. On February 16, 2021 the City issued general obligation bonds totaling \$115,925 for current projects. On March 2, 2021 the City issued \$13,800 for the ballpark project. On September 1, 2020 the City issued \$48,148 of refunding debt. On March 2, 2021 the City issued \$88,270 of refunding debt. The proceeds consisted of \$198,194 for governmental activities and \$71,251 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, 2021 are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

Governmental Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2021
1998 General Obligation Bonds, Pension Funding Loan	\$ 220,979	6.25%	2028	\$ 92,065
2003 General Obligation Bonds, Series C	17,670	3.30% to 4.00%	2024	698
2004 General Obligation Bonds	43,110	4.50% to 5.25%	2025	4,770
2005 General Obligation Bonds, Series C	46,125	4.00% to 4.125%	2026	7,120
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	1,547
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	1,482
2011 General Obligation School Bond	10,000	2.00%	2041	6,667
2012 District Improvement Financing Bonds	6,485	3.00% to 5.00%	2040	210
2013 General Obligation Refunding	3,016	3.00% to 5.00%	2024	622
2013 General Obligation Bonds	52,492	3.00% to 5.00%	2039	2,813
2014 General Obligation Bonds, Series A	27,609	3.00% to 5.00%	2040	2,760
2014 DCU Special Improvement District Bonds, Series B	13,979	3.125% to 4.25%	2039	990
2014 General Obligation Refunding Bonds, Series C	3,195	2.00% to 5.00%	2025	1,602
2014 General Obligation Refunding Bonds, Series A	4,212	2.00% to 5.00%	2040	934
2015 General Obligation Bonds, Series A	26,895	3.00% to 5.00%	2041	16,503
2015 General Obligation Bonds, Series B	17,386	2.95% to 5.00%	2033	15,021
2015 General Obligation Refunding Bonds, Series C	9,439	2.00% to 5.00%	2027	4,203
2016 General Obligation Bonds, Series A	38,677	3.00% to 5.00%	2042	27,267
2016 General Obligation Refunding Bonds, Series B	8,892	3.00% to 5.00%	2028	5,295
2017 General Obligation Refunding Bonds (Aug. 2017)	13,038	2.125% to 5.00%	2037	10,927
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	42,259
2018 General Obligation Bonds, Series B	28,545	3.25% to 4.00%	2043	26,325
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	33,550
2020 General Obligation Bonds, Series A	45,478	2.125% to 4.0%	2045	41,895
2020 General Obligation Bonds, Series B	17,695	2.125% to 5.0%	2045	17,695
2020 General Obligation Refunding Bonds (Sep. 2020)	28,415	2.0% to 5.0%	2038	28,401
2020 General Obligation Ballpark Project Bonds (Sep. 2020)	3,302	2.0% to 5.0%	2035	3,302
2021 General Obligation Ballpark Project Bonds Series A (Mar 2021)	13,800	0.782% to 3.249%	2050	13,800
2021 General Obligation Bonds	91,377	2.0% to 5.0%	2050	91,376
2021 General Obligation Refunding Bonds Series B (Mar 2021)	59,507	0.275% to 3.049%	2040	59,493
Total governmental activities general obligation bonds				\$ <u>603,142</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

Business-Type Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2021
2003 General Obligation Bonds, Series C	7,945	3.30% to 4.00%	2024	\$ 7
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	29
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	18
2011 General Obligation Bonds, Series A	10,240	3.00% to 4.25%	2037	265
2013 General Obligation Bonds	14,995	3.00% to 5.00%	2039	517
2013 General Obligation Refunding	3,444	3.00% to 5.00%	2024	1,118
2014 General Obligation Bonds, Series A	18,420	2.00% to 5.00%	2040	1,195
2014 General Obligation Refunding Bonds Series C	3,575	2.00% to 5.00%	2025	1,617
2014 General Obligation Refunding Bonds, Series A	9,248	2.00% to 5.00%	2040	1,521
2015 General Obligation Bonds, Series A	14,598	3.00% to 5.00%	2041	11,036
2015 General Obligation Refunding Bonds, Series C	11,216	2.00% to 5.00%	2027	6,732
2016 General Obligation Bonds, Series A	17,097	3.00% to 5.00%	2042	14,193
2016 General Obligation Refunding Bonds, Series B	6,198	3.00% to 5.00%	2028	4,385
2017 General Obligation Refunding Bonds (Aug. 2017)	6,362	2.125% to 5.00%	2037	4,913
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	10,881
2019 General Obligation Bonds	21,542	3.0% to 5.0%	2044	19,665
2020 General Obligation Bonds, Series A	22,867	2.125% to 4.0%	2045	21,641
2020 General Obligation Refunding Bonds (Sep. 2020)	17,258	2.0% to 5.0%	2038	17,272
2021 General Obligation Bonds	24,549	2.0% to 5.0%	2050	24,548
2021 General Obligation Refunding Bonds Series B (Mar 2021)	28,763	0.275% to 3.049%	2040	28,777
Total business-type activities general obligation bonds				\$ <u>181,770</u>

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 \$1,538. 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 \$4,190.

Governmental Activities – Loans Payable HUD Section 108

	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2021
2015 - A series loan	\$ 2,030	2.635% to 2.85%	2025	\$ <u>1,538</u>
				\$ <u>1,538</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

Business-Type Activities – Loans payable MCWT

	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2021
2006 clean water loan to sewer fund	\$ 949	4.90%	2024	\$ 217
2014 clean water loan to sewer fund	851	2.00%	2033	577
2015 clean water loan to sewer fund	562	2.00%	2035	417
2016 clean water loan to sewer fund	1,048	2.00%	2036	826
2017 clean water loan to sewer fund	2,671	2.00%	2037	2,153
				<u>\$ 4,190</u>

The City does not have any unused lines of credit and does not have any assets pledged as collateral for debt. There are no terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

(c) Maturity of Bond Indebtedness-Primary Government

Bond indebtedness outstanding at June 30, 2021 matures as follows:

	Governmental activities		Business-type activities			
	Governmental Funds		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2022	\$ 48,559	23,428	5,042	2,240	6,473	3,598
2023	48,493	21,058	4,956	2,004	6,638	3,297
2024	47,896	18,812	4,975	1,786	6,386	3,012
2025	45,513	16,685	4,676	1,586	6,292	2,786
2026	43,018	14,659	4,493	1,403	6,026	2,565
2027-2031	152,794	47,656	15,142	4,943	25,211	10,142
2032-2036	89,910	27,358	11,758	2,993	24,996	6,537
2037-2041	61,755	16,168	10,098	1,460	21,921	3,129
2042-2046	40,389	7,775	4,832	322	9,602	620
2047-2051	24,815	2,002	-	-	-	-
	<u>\$ 603,142</u>	<u>195,601</u>	<u>65,972</u>	<u>18,737</u>	<u>113,545</u>	<u>35,686</u>

	Business-type activities		Business-type	
	Golf course (nonmajor)		activities totals	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2022	\$ 315	88	11,830	5,926
2023	327	74	11,921	5,375
2024	167	60	11,528	4,858
2025	172	53	11,140	4,425
2026	175	46	10,694	4,014
2027-2031	745	133	41,098	15,218
2032-2036	277	26	37,031	9,556
2037-2041	63	7	32,082	4,596
2042-2046	12	1	14,446	943
2047-2051	-	-	-	-
	<u>\$ 2,253</u>	<u>488</u>	<u>181,770</u>	<u>54,911</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(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, 2021 are as follows:

		Governmental activities					
		General fund					
		Principal	Interest				
Year ending June 30:							
2022	\$	97	42				
2023		102	39				
2024		107	37				
2025		1,232	17				
	\$	<u>1,538</u>	<u>135</u>				

		Business-type activities					
		Sewer				Business-type	
				Anticipated subsidy		activities totals (net)	
		Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:							
2022	\$	299	88	2	6	297	82
2023		308	80	4	4	304	76
2024		313	71	5	-	308	71
2025		245	66	-	-	245	66
2026		250	82	-	-	250	82
2027-2031		1,335	210	-	-	1,335	210
2032-2036		1,283	291	-	-	1,283	291
2037		157	3			157	3
	\$	<u>4,190</u>	<u>891</u>	<u>11</u>	<u>10</u>	<u>4,179</u>	<u>881</u>

(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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

Authorized and unissued debt at June 30, 2021 is as follows:

Inside debt limit:		
Building rehabilitation	\$	98,540
Parks improvements		41,066
Off-street parking		38,190
Street and sidewalk construction		37,715
Departmental equipment		20,542
Other		16,882
Total inside debt limit		<u>252,935</u>
Outside debt limit:		
School construction		354,667
Sewer		87,424
Water		83,992
DCU Center improvements		21,443
CitySquare		21,076
Ballpark construction		209
Other		920
Total outside debt limit		<u>569,731</u>
Total inside and outside debt limit	\$	<u><u>822,666</u></u>

At June 30, 2021, in addition to debt authorized but unissued, the City may issue \$260,107 of additional inside debt under the normal debt (5%) limit. The City had \$526,648 of outstanding debt exempt from or outside the debt limit.

(e) Advanced Refunding

On March 2, 2021 the City issued \$88,270 of advanced refunding bonds by placing proceeds of \$87,413 in an irrevocable trust to provide for \$87,492 of future debt service. The advanced refunding included \$88,270 of refunding bonds with a true interest cost of 2.03% to redeem \$5,675 of 2012 General Obligation Bonds with average remaining coupons of 4.15%, \$37,930 of 2013 General Obligation Bonds with average remaining coupons of 3.96%, \$28,590 of 2014A General Obligation Bonds with average remaining coupons of 3.70% and \$10,450 of 2014B General Obligation Bonds with average remaining coupons of 4.05%. As a result of this refunding the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$9,029 and will realize an economic gain of approximately \$7,941.

(f) Current Refunding

On September 1, 2020 the City issued \$48,148 in current refunding bonds to redeem \$53,860 of previously issued and outstanding bonds. The current refunding included \$48,148 of refunding bonds with a true interest cost of 1.30% (inclusive of premiums) to redeem \$1,625 of 2002 General Obligation Bonds with average remaining coupons of 4.8%, \$560 of 2003D General Obligation Bonds with average remaining coupons of 5.8%, \$2,740 of 2010 General Obligation Bonds with average

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

remaining coupons of 3.2%, \$6,915 of 2011A General Obligation Bonds with average remaining coupons of 3.4%, \$950 of 2011B General Obligation Bonds with average remaining coupons of 4.9%, and \$41,070 of 2012 General Obligation Bonds with average remaining coupons of 3.13%. The net proceeds from the current refunding including premiums received from the sale were used to redeem the outstanding bonds and the related accrued interest. As a result of this refunding the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$6,623 and will realize an economic gain of approximately \$6,043.

(g) 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, 2021, \$105,255 of bonds outstanding is considered defeased.

(h) 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:

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:	\$ 18,340	-	1,805	16,535	1,855
Direct borrowings and placements	135,782	-	6,484	129,298	6,620
Unamortized bond premiums	1,063	-	195	868	164
Total long-term debt	155,185	-	8,484	146,701	8,639
Compensated absences	627	13	24	616	419
Net OPEB liability	2,802	3,351	4,088	2,065	-
Net pension liability	9,534	4,398	2,697	11,235	-
	<u>\$ 168,148</u>	<u>7,762</u>	<u>15,293</u>	<u>160,617</u>	<u>9,058</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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

General obligation bonds and notes payable of the District consisted of the following at June 30, 2021:

Purpose/Type	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2020
2012 General Obligation Bonds	2.00% - 4.00%	2040	\$ 2,530
2016 General Obligation Bonds	2.00% - 3.00%	2032	3,945
2019 General Obligation Bonds	2.00% - 3.00%	2036	5,025
2015 General Obligation Bonds	5.00%	2023	1,425
2016 General Obligation Bonds	2.00% - 3.00%	2028	3,610
MCWT CW-03-14 - December 2006	2.00%	2035	27,801
MCWT CW-03-14A - December 2006	2.35%	2035	3,619
MCWT CW-06-17 - March 2007	2.00%	2037	16,213
MCWT CW-06-17-A - December 2007	2.41%	2038	7,853
MCWT CW-06-17-B - March 2009	2.42%	2039	15,806
MCWT CW-06-17-C - June 2012	2.40%	2041	16,212
MCWT CWS-09-18 - July 2010	2.40%	2041	5,404
MCWT CWS-09-18-A - May 2014	2.00%	2033	12,943
MCWT CWP-16-39 - September 2018	2.00%	2038	7,746
MCWT CWP-16-39-A - October 2019	2.00%	2039	13,773
MCWT CWP-16-39-B - October 2019	2.00%	2039	1,928
Total District general obligation bonds and direct borrowings			\$ <u>145,833</u>

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

	General obligation bonds		Direct borrowings and placements	
	Principal	Interest	Principal	Interest
Year ending June 30:				
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	1,255	288	7,352	2,592
2027-2031	4,955	932	39,770	9,723
2032-2036	3,085	349	38,658	3,914
2037-2041	1,040	52	15,965	703
	\$ <u>16,535</u>	<u>3,180</u>	<u>129,298</u>	<u>29,671</u>

Authorized But Unissued Debt – At June 30, 2021, 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, 2021

(in thousands of dollars)

(i) 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, 2021, are as follows:

Project	Outstanding at June 30, 2020	Additions	Reductions	Outstanding at June 30, 2021
Union Station - Building Fit Out	\$ 6,292	223	-	6,515
Union Station - Operating	7,703	403	-	8,106
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	334	-	-	334
Total	<u>\$ 14,892</u>	<u>626</u>	<u>-</u>	<u>15,518</u>

Debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 15,115	4,600	19,715
2023	<u>403</u>	<u>38</u>	<u>441</u>
Total	<u>\$ 15,518</u>	<u>4,638</u>	<u>20,156</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(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, 2021 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$2,324.

At June 30, 2021, BANS totaling \$183,937 with interest rates of 2.00% and maturing February 1, 2022 were outstanding. The following is a summary of changes in temporary loans:

	Outstanding as of June 30, 2020	Additions	Reductions	Outstanding as of June 30, 2021
Bond anticipation notes payable:				
General	\$ 99,239	163,330	99,239	163,330
Water	10,940	6,589	10,940	6,589
Sewer	15,724	14,018	15,724	14,018
Total	<u>\$ 125,903</u>	<u>183,937</u>	<u>125,903</u>	<u>183,937</u>

(b) Discretely Presented Component Units – The District

The District is authorized to borrow on a temporary or short-term basis. Temporary borrowings are generally used to finance major capital additions. The District did not have any temporary borrowing activity for the year ended June 30, 2021.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(16) Interfund Receivables, Payables and Transfers

At June 30, 2021, there was a receivable and payable between the general fund and nonmajor governmental funds in the amounts of \$14,826. Transfers and their purposes during the year ended June 30, 2021 were as follows:

	Governmental Funds							Proprietary Funds		
	General Fund	Debt Service Fund	Rehabilitation of Public Bldg. Fund	School Construction Fund	Baseball Stadium	City Grants	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget										
General fund to fund debt payments	\$ (15,990)	15,990	-	-	-	-	-	-	-	-
General fund to fund DCU obligations	(500)	-	-	-	-	-	500	-	-	-
Chapter 90 to fund DPW engineering & st. ops.	521	-	-	-	-	-	(521)	-	-	-
General fund to subsidize golf fund	(200)	-	-	-	-	-	-	-	-	200
Sewer connection fees to fund DPW engineering	119	-	-	-	-	-	(119)	-	-	-
Trust fund to general fund for cemetery debt svc.	60	-	-	-	-	-	(60)	-	-	-
Golf fund to fund pension obligation bonds	18	-	-	-	-	-	-	-	-	(18)
Sewer fund to fund pension obligation bonds	523	-	-	-	-	-	-	-	(523)	-
Water fund to fund pension obligation bonds	684	-	-	-	-	-	-	(684)	-	-
Sub-total	(14,765)	15,990	-	-	-	-	(200)	(684)	(523)	182
Subsequent transfers:										
General fund to fund debt payments	(2,059)	2,059	-	-	-	-	-	-	-	-
General fund to fund grants	(11)	-	-	-	-	-	11	-	-	-
Insurance settlement fund for city vehicles	127	-	-	-	-	-	(127)	-	-	-
Premium on loans to fund bond issuance costs	934	-	-	-	-	-	(934)	-	-	-
PEG access to general fund for internet	477	-	-	-	-	-	(477)	-	-	-
PEG access to city and school grants	-	-	-	-	-	1,233	410	-	-	-
PEG access to city and school grants	-	-	-	-	-	-	(1,643)	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	-	-	3,630	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	-	-	(3,630)	-	-	-
Debt service fund to CitySquare capital proj.	-	(408)	-	-	-	-	408	-	-	-
Transfers among capital projects	-	-	-	-	-	-	2,420	-	-	-
Transfers among capital projects	-	-	(581)	-	-	-	(1,839)	-	-	-
Transfers among permanent funds	-	-	-	-	-	-	121	-	-	-
Transfers among permanent funds	-	-	-	-	-	-	(121)	-	-	-
From water enterprise to water capital proj.	-	-	-	-	-	-	-	13,000	-	-
From water enterprise to water capital proj.	-	-	-	-	-	-	-	(13,000)	-	-
OPEB employer contributions	(100)	-	-	-	-	-	-	69	30	1
Total transfers, net	\$ (15,397)	17,641	(581)	-	-	1,233	(1,971)	(615)	(493)	183

(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 after 2030. The District

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

submitted a Request for Modification of the AOC schedule, to make it consistent with the IP, to the EPA in September 2020.

(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 and a high deductible plan. 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.

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, 2021 and 2020 were as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Health claims, beginning of year	\$ 7,474	7,169
Incurred claims	105,043	95,545
Payments of claims attributable to events of the current and prior fiscal years	<u>(104,274)</u>	<u>(95,240)</u>
Health claims, end of year	<u>\$ 8,243</u>	<u>7,474</u>

Changes in judgments and claims liability for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Judgments and claims, beginning of year	\$ 18,387	18,965
Additions to estimated claims liability	5,832	4,751
Payments of claims attributable to events of the current and prior fiscal years, and reductions to previous estimated liabilities:		
Court judgments and legal settlements	(2,428)	(2,350)
Workers' compensation	<u>(3,031)</u>	<u>(2,979)</u>
Judgments and claims, end of year	<u>\$ 18,760</u>	<u>18,387</u>

Judgments and claims consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Workers' compensation	\$ 12,210	9,809
Court judgments and legal settlements	<u>6,550</u>	<u>8,578</u>
	<u>\$ 18,760</u>	<u>18,387</u>

The fiscal 2021 liability for judgments and claims consist of governmental and business-type activities in the amount of \$16,541 and \$2,219, 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% for the fiscal years ending June 30, 2021 and 2020, respectively.

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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(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	Baseball Stadium	City Grants	Other Governmental Funds	Total Governmental Funds
Nonspendable:								
Permanent fund principal.....	\$ -	-	-	-	-	-	20,679	20,679
Restricted:								
School lunch.....	-	-	-	-	-	-	6,214	6,214
Off-street parking.....	-	-	-	-	-	-	809	809
City revolving funds.....	-	-	-	-	-	-	8,851	8,851
School grants.....	-	-	-	-	-	-	7,633	7,633
School revolving funds.....	-	-	-	-	-	-	4,511	4,511
Community development.....	-	-	-	-	-	-	90	90
MassHire Central Region Workforce..	-	-	-	-	-	-	1,319	1,319
City grants.....	-	-	-	-	-	15,268	-	15,268
Capital.....	-	-	-	-	-	-	2,374	2,374
Permanent fund expendable.....	-	-	-	-	-	-	7,051	7,051
Sub-total - Restricted.....	-	-	-	-	-	15,268	38,852	54,120
Committed:								
Debt service.....	-	29,611	-	-	-	-	-	29,611
Receipts reserved.....	-	-	-	-	-	-	26,562	26,562
Sub-total - Committed.....	-	29,611	-	-	-	-	26,562	56,173
Unassigned.....	<u>70,242</u>	<u>-</u>	<u>(16,510)</u>	<u>(50,347)</u>	<u>(52,434)</u>	<u>-</u>	<u>(8,617)</u>	<u>(57,666)</u>
Total fund balances.....	\$ <u>70,242</u>	<u>29,611</u>	<u>(16,510)</u>	<u>(50,347)</u>	<u>(52,434)</u>	<u>15,268</u>	<u>77,476</u>	<u>73,306</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(20) Fund Deficits

The following funds had deficits at June 30, 2021. These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

Major Funds

Rehab of public building	\$	16,510
School construction		50,347
Baseball stadium		52,434

Nonmajor Funds

Special Revenue Funds:

DCU operations	\$	1,603
Police auxiliary		997

Proprietary Funds:

Golf course enterprise	307
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Capital Projects Funds:

Streets and sidewalks	\$	194
Parks improvements		1,690
Ballpark district improvements & garage construction		4,133

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(21) Fiduciary Fund Financial Statements

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

	Pension Trust Funds (As of 12/31/20)	OPEB Trust Fund	Total
Assets:			
Cash and cash equivalents	\$ 6,339	-	6,339
Investments, at fair value:			
Equities	16,943	-	16,943
Fixed income	105,062	-	105,062
Pooled equities	350,130	-	350,130
Pooled fixed income	54,634	-	54,634
External investment pool	384,114	25,766	409,880
Real estate	48,308	-	48,308
Alternative investments	171,495	-	171,495
Total investments	1,130,686	25,766	1,156,452
Receivables:			
Accrued interest and dividends	407	-	407
Due from Commonwealth of Massachusetts and other systems	860	-	860
Receivable for securities sold	183	-	183
Other receivables	271	9	280
Total receivables	1,721	9	1,730
Total assets	1,138,746	25,775	1,164,521
Liabilities:			
Accounts payable and accrued expenses	186	-	186
Due to Commonwealth of Massachusetts and other systems	3,238	-	3,238
Payable for securities purchased	1,275	-	1,275
Total liabilities	4,699	-	4,699
Net position:			
Net position restricted for pensions and postemployment benefits other than pensions	\$ 1,134,047	25,775	1,159,822

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

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

	Pension Trust Funds (As of 12/31/20)	OPEB Trust Fund	Total
Additions:			
Contributions from:			
Employers	\$ 55,511	37,377	92,888
Plan members	20,534	-	20,534
Total contributions	<u>76,045</u>	<u>37,377</u>	<u>113,422</u>
Investment earnings:			
Interest and dividends	22,576	332	22,908
Net realized and unrealized gains	101,313	1,206	102,519
Less: management fees	(6,858)	(38)	(6,896)
Net investment income	<u>117,031</u>	<u>1,500</u>	<u>118,531</u>
Other	1,564	-	1,564
Total additions	<u>194,640</u>	<u>38,877</u>	<u>233,517</u>
Deductions:			
Benefit payments to plan members and beneficiaries	88,861	33,608	122,469
Reimbursements to other systems	3,122	-	3,122
Refunds and transfers of plan member accounts to other systems	1,646	-	1,646
Administrative expenses	556	-	556
Total deductions	<u>94,185</u>	<u>33,608</u>	<u>127,793</u>
Net increase (decrease) in net position	<u>100,455</u>	<u>5,269</u>	<u>105,724</u>
Net position restricted for pensions – beginning	1,033,592	20,506	1,054,098
Net position restricted for pensions – ending	<u>\$ 1,134,047</u>	<u>25,775</u>	<u>1,159,822</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, 2021, Worcester had tax abatement agreements with thirty entities with nineteen of those entities receiving abatements in fiscal year 2021, and eleven entities whose abatement will begin after fiscal year 2021 upon completion of the projects. The City's policy is to disclose individual tax abatement agreements in which the amount abated in fiscal year 2021 exceeded 10% of the total abatements made by the City in fiscal year

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

2021. In fiscal year 2021, Worcester abated property taxes totaling \$4,335. Detailed below are the tax abatement agreements that each exceed 10% of the total amount abated:

- 1 Mercantile St – an 87% 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 \$832, which accounts for 19% of total abatements in fiscal year 2021. 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).
- 50 Prescott St – a 59% property tax abatement given to a company for constructing a 92,000 square foot four story office building and laboratory building and twenty full-time jobs. The abatement totals \$704, which accounts for 16% of total abatements in fiscal 2021. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EOA.
- 150 Blackstone River Rd – a 37% property tax abatement given to a company for rehabilitating and existing building into a 576,000 square foot state-of-the-art multi-use high bay industrial building and create 300 full-time jobs. The abatement totals \$554, which accounts for 13% of total abatements in fiscal 2021. 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 \$443, which accounts for 10.2% of total abatements in fiscal 2021. 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 Authority and City entered into a Cooperation Agreement (Agreement) concerning an urban renewal/downtown urban revitalization plan. Pursuant to the Agreement and vote of the Authority on December 21, 2018, the Authority and City executed an amendment to the Agreement whereby the City has agreed to provide the Authority \$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. Various amendments to the Agreement have increased the amount the City has agreed to provide to the Authority to a total of approximately \$183,800.

During fiscal year 2021, the City provided the Authority approximately \$98,800 to finance costs associated with the ballpark. At June 30, 2021, the ballpark was in-service and is reported as a capital asset in the City's financial statements.

(24) Prior Period Restatement (City)

The City discovered a financial statement error that resulted in an understatement of the net OPEB liability. Accordingly, a \$115,700 adjustment was made to net position as of June 30, 2020. This consists of \$112,637 for governmental activities and \$3,063 for business-type activities (\$2,116 Water Enterprise, \$904 Sewer Enterprise and \$43 Golf Course Enterprise).

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2021

(in thousands of dollars)

(25) Prior Period Restatement (District)

The District's net position at June 30, 2020 was restated to include \$299 in additional capital assets, net of accumulated depreciation. As a result, the beginning net position increased from \$19,036 to \$19,335.

(26) Prior Period Reclassifications of Major and Nonmajor Funds

The beginning fund balances of the baseball stadium, city grants and nonmajor governmental funds have been restated from zero, zero and \$73,516 to (\$6,170), \$13,126 and \$66,560, respectively, to reflect the reclassification of the baseball stadium fund and the city grants 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, 2021
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		
REVENUES				
Property taxes	\$ 325,229,687	326,282,410	335,063,765	8,781,355
Motor vehicle excise taxes	15,500,000	15,500,000	15,219,870	(280,130)
Penalties and interest on taxes:				
Property taxes	845,000	845,000	1,420,168	575,168
Tax titles	80,500	80,500	79,423	(1,077)
Motor vehicle excise	949,500	949,500	1,106,640	157,140
Special assessments	175,000	175,000	220,434	45,434
	2,050,000	2,050,000	2,826,665	776,665
Other taxes and in-lieu payments:				
In lieu of taxes	700,000	700,000	411,089	(288,911)
Special assessments	400,000	400,000	808,818	408,818
Cannabis excise	-	400,000	849,881	449,881
Meals tax	400,000	2,650,000	2,701,151	51,151
Hotel/motel tax	3,550,000	900,000	439,820	(460,180)
	5,050,000	5,050,000	5,210,759	160,759
Licenses and permits:				
Clerk	245,200	245,200	279,445	34,245
Inspectional Services	4,108,500	4,108,500	4,382,605	274,105
Fire	198,350	198,350	255,417	57,067
Health	557,850	557,850	558,186	336
License Commission:				
Liquor & common victualer	766,800	766,800	467,828	(298,972)
Other	62,150	62,150	82,275	20,125
Police	85,950	85,950	84,170	(1,780)
Public Works	225,000	225,000	285,936	60,936
	6,249,800	6,249,800	6,395,862	146,062
Intergovernmental:				
State local aid	345,522,190	326,695,418	326,148,769	(546,649)
State school construction aid	4,736,217	4,736,217	4,736,217	-
State school busing assistance	-	-	566,978	566,978
School based Federal Medicaid	3,000,000	3,000,000	330,206	(2,669,794)
Federal indirect cost reimbursements	805,000	805,000	1,164,328	359,328
	354,063,407	335,236,635	332,946,498	(2,290,137)

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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	\$ 1,656,000	1,656,000	1,451,917	(204,083)
Court fines	744,000	744,000	364,660	(379,340)
	<u>2,400,000</u>	<u>2,400,000</u>	<u>1,816,577</u>	<u>(583,423)</u>
Investment earnings	1,500,000	1,500,000	653,444	(846,556)
Charges for services:				
Airport land lease	110,000	110,000	91,667	(18,333)
Assessor	8,000	8,000	10,808	2,808
Clerk	637,500	637,500	681,362	43,862
Communications	200	200	315	115
Elder Affairs	79,500	79,500	44,787	(34,713)
Fire	307,300	307,300	324,535	17,235
Health	6,000	6,000	1,745	(4,255)
Hope Cemetery	460,000	460,000	440,187	(19,813)
Library	40,000	40,000	11,752	(28,248)
Marijuana Host Agreement Fees	300,000	300,000	999,197	699,197
Parks	88,147	88,147	45,723	(42,424)
Planning	140,300	140,300	141,505	1,205
Police	802,000	802,000	951,364	149,364
Public Works	9,000	9,000	40	(8,960)
Records Request	1,000	1,000	120	(880)
Schools	9,000	9,000	6,945	(2,055)
Solar Renewable Energy Certificates	1,000,000	1,000,000	2,075,438	1,075,438
Towing contracted revenue	475,000	475,000	295,679	(179,321)
Trailer coach park	3,000	3,000	4,002	1,002
Trash bags	3,250,000	3,250,000	4,233,447	983,447
Treasurer	16,500	16,500	7,130	(9,370)
	<u>7,742,447</u>	<u>7,742,447</u>	<u>10,367,748</u>	<u>2,625,301</u>
Miscellaneous	1,335,900	1,335,900	120,137	(1,215,763)
Total revenues	<u>721,121,241</u>	<u>703,347,192</u>	<u>710,621,325</u>	<u>7,274,133</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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		
EXPENDITURES				
General government:				
Council:				
Salaries	\$ 423,952	367,296	367,295	1
Ordinary maintenance	24,259	24,259	22,493	1,766
	448,211	391,555	389,788	1,767
Mayor's staff:				
Salaries	138,749	141,522	141,522	-
Ordinary maintenance	10,100	9,327	7,735	1,592
	148,849	150,849	149,257	1,592
City Manager:				
Salaries and overtime	1,426,920	1,426,920	1,371,358	55,562
Ordinary maintenance	232,900	247,900	195,814	52,086
Capital outlay	-	-	-	-
	1,659,820	1,674,820	1,567,172	107,648
Economic Development:				
Salaries	1,686,274	1,627,324	1,392,126	235,198
Ordinary maintenance	412,554	412,554	330,240	82,314
	2,098,828	2,039,878	1,722,366	317,512
Auditor:				
Salaries and overtime	532,135	540,135	539,448	687
Ordinary maintenance	91,735	91,735	90,262	1,473
	623,870	631,870	629,710	2,160
Administration & Finance:				
Salaries	621,154	611,154	569,772	41,382
Ordinary maintenance	43,385	53,385	51,945	1,440
	664,539	664,539	621,717	42,822
Treasurer and Collector:				
Salaries and overtime	1,201,792	1,171,292	1,109,720	61,572
Ordinary maintenance	719,605	1,654,008	1,588,087	65,921
Capital outlay	-	30,500	21,199	9,301
	1,921,397	2,855,800	2,719,006	136,794
Assessor:				
Salaries	658,340	658,340	621,287	37,053
Ordinary maintenance	293,751	293,751	292,676	1,075
	952,091	952,091	913,963	38,128
Law:				
Salaries	1,171,897	1,161,897	1,080,700	81,197
Ordinary maintenance	168,250	178,250	176,183	2,067
Casualty insurance	146,824	311,824	310,397	1,427
Court judgments	2,990,000	4,083,000	4,016,175	66,825
	4,476,971	5,734,971	5,583,455	151,516

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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		
City Clerk:				
Salaries and overtime	\$ 590,617	657,273	656,581	692
Ordinary maintenance	54,700	54,700	48,324	6,376
	645,317	711,973	704,905	7,068
Energy & Asset Management:				
Salaries and overtime	453,594	518,594	493,165	25,429
Ordinary maintenance	1,148,416	1,108,416	999,317	109,099
Capital outlay	239,000	339,000	37,217	301,783
	1,841,010	1,966,010	1,529,699	436,311
Election Commission:				
Salaries and overtime	593,086	593,086	542,225	50,861
Ordinary maintenance	145,925	145,925	144,719	1,206
	739,011	739,011	686,944	52,067
Purchasing:				
Salaries	230,139	230,139	225,928	4,211
Ordinary maintenance	16,920	16,920	9,148	7,772
	247,059	247,059	235,076	11,983
Technical Services:				
Salaries and overtime	2,926,591	2,986,591	2,962,222	24,369
Ordinary maintenance	2,484,503	3,331,257	3,249,420	81,837
Capital outlay	300,000	300,000	300,000	-
	5,711,094	6,617,848	6,511,642	106,206
Human Resources:				
Salaries and overtime	1,089,968	984,519	966,068	18,451
Ordinary maintenance	436,101	459,101	457,072	2,029
	1,526,069	1,443,620	1,423,140	20,480
Diversity & Inclusion:				
Salaries	-	79,449	52,247	27,202
Ordinary maintenance	-	3,000	2,650	350
	-	82,449	54,897	27,552
Total general government	23,704,136	26,904,343	25,442,737	1,461,606

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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	\$ 49,419,582	49,362,642	48,615,819	746,823
Ordinary maintenance	2,709,727	2,926,256	2,840,968	85,288
Capital outlay	637,305	637,305	627,759	9,546
	<u>52,766,614</u>	<u>52,926,203</u>	<u>52,084,546</u>	<u>841,657</u>
Fire:				
Salaries and overtime	39,561,209	39,612,998	39,093,574	519,424
Ordinary maintenance	1,556,958	1,584,749	1,532,617	52,132
Capital outlay	143,000	143,000	102,699	40,301
	<u>41,261,167</u>	<u>41,340,747</u>	<u>40,728,890</u>	<u>611,857</u>
Inspectional services:				
Salaries and overtime	3,813,434	3,813,434	3,652,019	161,415
Ordinary maintenance	314,054	313,202	253,214	59,988
Capital outlay	-	86,378	86,378	-
	<u>4,127,488</u>	<u>4,213,014</u>	<u>3,991,611</u>	<u>221,403</u>
Communications:				
Salaries and overtime	2,560,150	2,480,150	1,666,305	813,845
Ordinary maintenance	1,108,218	1,188,218	1,160,739	27,479
	<u>3,668,368</u>	<u>3,668,368</u>	<u>2,827,044</u>	<u>841,324</u>
Total public safety	<u>101,823,637</u>	<u>102,148,332</u>	<u>99,632,091</u>	<u>2,516,241</u>
Health and human services:				
Public Health				
Salaries and overtime	709,954	782,704	696,372	86,332
Ordinary maintenance	123,400	121,584	76,271	45,313
	<u>833,354</u>	<u>904,288</u>	<u>772,643</u>	<u>131,645</u>
Health and Human Services				
Salaries	702,222	823,327	774,919	48,408
Ordinary maintenance	2,021,411	1,976,411	1,509,322	467,089
	<u>2,723,633</u>	<u>2,799,738</u>	<u>2,284,241</u>	<u>515,497</u>
Elder Affairs:				
Salaries	456,100	456,100	431,326	24,774
Ordinary maintenance	206,350	206,350	132,593	73,757
	<u>662,450</u>	<u>662,450</u>	<u>563,919</u>	<u>98,531</u>
Workforce Development Board:				
Salaries	-	71,738	70,358	1,380
Ordinary maintenance	200,000	128,262	128,262	-
	<u>200,000</u>	<u>200,000</u>	<u>198,620</u>	<u>1,380</u>
Total health and human services	<u>4,419,437</u>	<u>4,566,476</u>	<u>3,819,423</u>	<u>747,053</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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	\$ 249,648,148	243,427,050	243,427,047	3
Ordinary maintenance	41,430,363	41,030,538	41,030,538	-
Capital outlay	352,000	1,437,609	1,437,609	-
	<u>291,430,511</u>	<u>285,895,197</u>	<u>285,895,194</u>	<u>3</u>
Public Schools, Non Net School Spending (excluding fringe benefits):				
Salaries and overtime	5,688,895	4,351,866	4,351,866	-
Ordinary maintenance	18,690,573	9,683,411	9,683,411	-
Capital outlay	-	70,532	70,532	-
	<u>24,379,468</u>	<u>14,105,809</u>	<u>14,105,809</u>	<u>-</u>
Total education (excluding fringes)	<u>315,809,979</u>	<u>300,001,006</u>	<u>300,001,003</u>	<u>3</u>
Public works:				
Department of Public Works:				
Salaries and overtime	6,324,649	6,424,649	5,963,073	461,576
Ordinary maintenance	9,277,455	9,138,731	8,726,971	411,760
Capital outlay	-	769,387	755,491	13,896
Snow and ice removal	6,000,000	4,979,235	4,462,012	517,223
Street lighting	1,489,647	1,489,647	1,489,632	15
	<u>23,091,751</u>	<u>22,801,649</u>	<u>21,397,179</u>	<u>1,404,470</u>
Union Station (WRA):				
Ordinary maintenance	403,305	403,305	403,305	-
Total public works	<u>23,495,056</u>	<u>23,204,954</u>	<u>21,800,484</u>	<u>1,404,470</u>
Culture and recreation:				
Parks and Cemetery:				
Salaries and overtime	4,378,751	4,417,774	4,329,127	88,647
Ordinary maintenance	1,971,000	2,146,977	2,146,977	-
Capital outlay	-	47,157	47,157	-
	<u>6,349,751</u>	<u>6,611,908</u>	<u>6,523,261</u>	<u>88,647</u>
Public Library:				
Salaries and overtime	4,297,228	4,297,228	3,735,440	561,788
Ordinary maintenance	1,903,942	1,918,942	1,814,784	104,158
	<u>6,201,170</u>	<u>6,216,170</u>	<u>5,550,224</u>	<u>665,946</u>
Auditorium:				
Ordinary maintenance	90,200	119,300	119,197	103
Total culture and recreation	<u>12,641,121</u>	<u>12,947,378</u>	<u>12,192,682</u>	<u>754,696</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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:				
Regional planning	\$ 53,000	53,142	53,142	-
Regional Transit Authority	3,410,915	3,410,915	3,410,915	-
Mosquito control	167,066	168,036	168,036	-
Air pollution control	45,395	45,395	45,395	-
Charter Schools	29,496,484	28,085,167	27,928,288	156,879
School choice	3,176,771	3,045,212	3,407,198	(361,986)
Special education - Chapter 766	193,758	202,348	190,808	11,540
Registry parking ticket surcharge	412,400	412,400	412,400	-
Total intergovernmental	36,955,789	35,422,615	35,616,182	(193,567)
Debt service:				
Principal	25,539,720	25,533,883	25,214,601	319,282
Interest	10,730,978	10,730,978	9,597,097	1,133,881
Pension obligation bond:				
Municipal departments (P&I)	10,536,728	10,536,728	10,526,933	9,795
Enterprise funds (P&I)	1,224,973	1,224,973	1,224,973	-
Public schools (P&I)	4,887,469	4,887,469	4,887,469	-
Total debt service	52,919,868	52,914,031	51,451,073	1,462,958
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	31,880,419	31,880,419	31,859,635	20,784
Public Schools	14,784,282	14,795,861	14,795,861	-
Noncontributory pensions:				
Municipal departments	25,981	25,981	-	25,981
Public Schools	12,000	-	-	-
	46,702,682	46,702,261	46,655,496	46,765

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
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	\$ 1,189,660	1,189,660	857,891	331,769
Public Schools	678,461	462,723	462,723	-
Public safety injured on duty	801,936	801,936	801,549	387
Unemployment compensation:				
Municipal departments	101,000	101,000	101,000	-
Public Schools	732,000	835,876	835,876	-
	<u>3,503,057</u>	<u>3,391,195</u>	<u>3,059,039</u>	<u>332,156</u>
Group insurance:				
Municipal departments	28,157,580	28,196,744	26,995,796	1,200,948
Public Schools	51,551,013	51,415,734	51,415,734	-
	<u>79,708,593</u>	<u>79,612,478</u>	<u>78,411,530</u>	<u>1,200,948</u>
Total fringe benefits	129,914,332	129,705,934	128,126,065	1,579,869
Contingency	3,940,000	1,593,577	-	1,593,577
Total expenditures	<u>705,623,355</u>	<u>689,408,646</u>	<u>678,081,740</u>	<u>11,326,906</u>
Excess of revenues over expenditures	<u>15,497,886</u>	<u>13,938,546</u>	<u>32,539,585</u>	<u>18,601,039</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,924,903	3,502,516	3,502,516	-
Transfers out	(17,422,789)	(22,568,131)	(22,568,131)	-
Total other financing sources (uses)	<u>(15,497,886)</u>	<u>(19,065,615)</u>	<u>(19,065,615)</u>	<u>-</u>
Net changes in fund balance	-	(5,127,069)	13,473,970	18,601,039
Budgetary fund balance - beginning	52,844,165	52,844,165	52,844,165	-
Budgetary fund balance - ending	<u>\$ 52,844,165</u>	<u>47,717,096</u>	<u>66,318,135</u>	<u>18,601,039</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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	\$ 34,203,842	\$ 32,665,206	\$ 33,231,538	28,844,823	27,155,573
Interest	106,483,253	103,120,036	101,742,520	98,349,284	95,556,357
Differences between expected and actual experience	(10,567,983)	1,669,782	(8,340,855)	(1,005,891)	(2,523,911)
Changes of assumptions	-	-	1,608,506	73,039,312	19,119,320
Benefit payments, including refunds of member contributions	(91,485,398)	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)
Net change in total pension liability	38,633,714	48,437,650	43,965,746	116,104,907	59,366,509
Total pension liability - beginning	1,554,774,408	1,506,336,758	1,462,371,012	1,346,266,105	1,286,899,596
Total pension liability - ending (a)	\$ 1,593,408,122	\$ 1,554,774,408	\$ 1,506,336,758	1,462,371,012	1,346,266,105
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 55,510,926	\$ 52,206,269	\$ 49,098,344	46,188,470	44,411,990
Contributions - member	20,534,325	20,740,274	19,969,060	19,327,093	17,797,519
Net investment income	117,030,633	147,174,441	(30,549,012)	134,646,815	58,737,894
Benefit payments, including refunds of member contributions	(91,485,398)	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)
Administrative expense	(556,041)	(658,260)	(587,936)	(583,404)	(565,669)
Other	(579,138)	(1,319,129)	(1,632,787)	(1,356,993)	(926,263)
Net change in plan fiduciary net position	100,455,307	129,126,221	(47,978,294)	115,099,360	39,514,641
Plan fiduciary net position - beginning	1,033,591,998	904,465,777	952,444,071	837,344,711	797,830,070
Plan fiduciary net position - ending (b)	\$ 1,134,047,305	\$ 1,033,591,998	\$ 904,465,777	952,444,071	837,344,711
WRS's net pension liability - ending (a) - (b)	\$ 459,360,817	\$ 521,182,410	\$ 601,870,981	509,926,941	508,921,394
Plan fiduciary net position as a percentage of the total pension liability	71.17%	66.48%	60.04%	65.13%	62.20%
Covered payroll	\$ 199,137,147	\$ 196,970,554	\$ 192,957,155	182,832,183	175,910,160
Net pension liability as a percentage of covered payroll	230.68%	264.60%	311.92%	278.90%	289.31%
	2015	2014			
<u>Total pension liability</u>					
Service cost	\$ 26,309,138	24,977,553			
Interest	92,787,477	89,852,374			
Differences between expected and actual experience	(1,619,304)	(901,542)			
Changes of assumptions	16,825,451	16,436,189			
Benefit payments, including refunds of member contributions	(75,957,945)	(72,435,430)			
Net change in total pension liability	58,344,817	57,929,144			
Total pension liability - beginning	1,228,554,779	1,170,625,635			
Total pension liability - ending (a)	\$ 1,286,899,596	1,228,554,779			
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 42,703,837	41,200,578			
Contributions - member	17,409,182	16,320,772			
Net investment income	(10,490,024)	34,950,210			
Benefit payments, including refunds of member contributions	(75,957,945)	(72,435,430)			
Administrative expense	(572,743)	(587,157)			
Other	(895,410)	(806,081)			
Net change in plan fiduciary net position	(27,803,103)	18,642,892			
Plan fiduciary net position - beginning	825,633,173	806,990,281			
Plan fiduciary net position - ending (b)	\$ 797,830,070	825,633,173			
WRS's net pension liability - ending (a) - (b)	\$ 489,069,526	402,921,606			
Plan fiduciary net position as a percentage of the total pension liability	62.00%	67.20%			
Covered payroll	\$ 173,759,691	168,856,039			
Net pension liability as a percentage of covered payroll	281.46%	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, 2021

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

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$	55,510,926	52,206,269	49,098,344	46,188,470	44,411,990
Contributions in relation to the statutorily determined contribution		<u>55,510,926</u>	<u>52,206,269</u>	<u>49,098,344</u>	<u>46,188,470</u>	<u>44,411,990</u>
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$	199,137,147	196,970,554	192,957,155	182,832,183	175,910,160
Contributions as a percentage of covered payroll		27.88%	26.50%	25.45%	25.26%	25.25%

(continued)

		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$	42,703,837	41,200,578	38,148,683	35,409,140	32,706,347
Contributions in relation to the statutorily determined contribution		<u>42,703,837</u>	<u>41,200,578</u>	<u>38,148,683</u>	<u>35,409,140</u>	<u>32,706,347</u>
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$	173,759,691	168,856,039	166,094,906	159,669,859	157,720,871
Contributions as a percentage of covered payroll		24.58%	24.40%	22.97%	22.18%	20.74%

(concluded)

Schedule of Investment Returns (WRS) *

	<u>2021 **</u>	<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	11.56%	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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) *

	2021**	2020**	2019**	2018**	2017**
City's proportion of the net pension liability	92.061716%	92.288158%	92.623763%	91.951084%	91.768757%
City's proportionate share of the net pension liability	\$ 422,895,451	480,989,646	557,475,552	468,883,350	467,030,837
City's covered payroll	183,329,075	181,780,496	178,724,179	168,116,175	161,430,567
City's proportionate share of the net pension liability as a percentage of its covered payroll	230.68%	264.60%	311.92%	278.90%	289.31%
Plan fiduciary net position as a percentage of the total pension liability	71.17%	66.48%	60.04%	65.13%	62.20%
	2016**	2015**			
City's proportion of the net pension liability	92.066769%	92.730893%			
City's proportionate share of the net pension liability	\$ 450,270,511	373,632,802			
City's covered payroll	159,974,933	156,581,713			
City's proportionate share of the net pension liability as a percentage of its covered payroll	281.46%	238.62%			
Plan fiduciary net position as a percentage of the total pension liability	62.00%	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 51,104,311	48,180,204	45,476,734	42,470,799	40,756,331
Contributions in relation to the statutorily determined contribution	<u>51,104,311</u>	<u>48,180,204</u>	<u>45,476,734</u>	<u>42,470,799</u>	<u>40,756,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 183,329,075	184,218,332	180,944,440	170,204,654	163,435,992
Contributions as a percentage of covered payroll	27.88%	26.15%	25.13%	24.95%	24.94%
					(continued)
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 39,316,043	38,205,664	35,084,000	32,246,000	29,720,000
Contributions in relation to the statutorily determined contribution	<u>39,316,043</u>	<u>38,205,664</u>	<u>35,084,000</u>	<u>32,246,000</u>	<u>29,720,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 162,356,825	158,913,083	154,576,739	148,503,011	146,154,424
Contributions as a percentage of covered payroll	24.22%	24.04%	22.70%	21.71%	20.33%
					(concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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) *

	2021**	2020**	2019**	2018**	2017**
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	765,599,948	663,622,575	626,837,968	602,552,506	599,739,073
Total	<u>\$ 765,599,948</u>	<u>663,622,575</u>	<u>626,837,968</u>	<u>602,552,506</u>	<u>599,739,073</u>
City's covered payroll	\$ 208,715,982	205,734,272	194,659,324	188,012,690	178,781,000
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	50.67%	53.95%	54.25%	52.73%	55.38%
	2016**	2015**			
City's proportion of the net pension liability	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	550,242,570	435,996,868			
Total	<u>\$ 550,242,570</u>	<u>435,996,868</u>			
City's covered payroll	\$ 176,442,000	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	61.64%	54.84%	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Schedule of City's Contributions (MTRS) *

	2021**	2020**	2019**	2018**	2017**
Contractually required contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 208,715,982	205,734,272	194,659,324	188,012,690	178,781,000
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	2016**	2015**			
Contractually required contribution	\$ -	-			
Contributions in relation to the contractually required contribution	-	-			
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>			
City's covered payroll	\$ 176,442,000	172,700,000			
Contributions as a percentage of covered payroll	N/A	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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*

	2021**	2020**	2019**	2018**	2017**
District's proportion of the net pension liability	0.06548%	0.06515%	0.06271%	0.06445%	0.06517%
District's proportionate share of the net pension liability	\$ 11,234,954	9,534,432	8,296,794	8,265,187	8,986,634
District's covered payroll	4,245,000	3,781,000	3,676,509	3,678,070	3,630,096
District's proportionate share of the net pension liability as a percentage of its covered payroll	264.7%	252.2%	225.6%	224.7%	247.6%
Plan fiduciary net position as a percentage of the total pension liability	62.5%	66.3%	67.9%	67.2%	63.5%
	2016**	2015**			
District's proportion of the net pension liability	0.06237%	0.06291%			
District's proportionate share of the net pension liability	\$ 7,099,775	4,670,154			
District's covered payroll	3,413,667	3,245,825			
District's proportionate share of the net pension liability as a percentage of its covered payroll	208.0%	143.9%			
Plan fiduciary net position as a percentage of the total pension liability	67.9%	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Schedule of District's Contributions*

	2021**	2020**	2019**	2018**	2017**
Actuarially determined contribution	\$ 483,000	431,000	419,122	419,300	413,831
Contributions in relation to the actuarially determined contribution	483,000	431,000	419,122	419,300	413,831
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 4,245,000	3,781,000	3,676,509	3,678,070	3,630,096
Contributions as a percentage of covered payroll	11.40%	11.40%	11.40%	11.40%	11.40%
	2016**	2015**			
Contractually required contribution	\$ 389,000	370,024			
Contributions in relation to the contractually required contribution	389,000	370,024			
Contribution deficiency (excess)	\$ -	-			
District's covered payroll	\$ 3,413,667	3,245,825			
Contributions as a percentage of covered payroll	11.40%	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2021

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**

	2021	2020	2019	2018
Total OPEB liability				
Changes for the year:				
Service cost	\$ 47,108,000	38,503,704	32,551,711	31,603,603
Interest	29,224,523	29,572,938	25,793,294	28,218,425
Differences between expected and actual experience	(31,076,275)	78,078,974	8,668,944	6,664,810
Changes in assumptions/inputs	359,707,450	6,683,323	71,307,434	-
Benefit payments	(33,608,471)	(24,647,288)	(22,388,653)	(23,376,480)
Net changes	371,355,227	128,191,651	115,932,730	43,110,358
Total OPEB liability, beginning of the fiscal year *	1,162,533,893	918,642,242	802,709,512	759,599,154
Total OPEB liability, end of the fiscal year (a)	\$ 1,533,889,120	1,046,833,893	918,642,242	802,709,512
 Plan Fiduciary Net Position				
Contributions - employer	\$ 3,769,127	19,826,603	-	-
Contributions for benefit payments	33,608,471	24,647,288	-	-
Investment income, net	1,499,997	679,021	-	-
Benefit payments	(33,608,471)	(24,647,288)	-	-
Net change in plan fiduciary net position	5,269,124	20,505,624	-	-
Plan fiduciary net position - beginning	20,505,624	-	-	-
Plan fiduciary net position - ending (b)	\$ 25,774,748	20,505,624	-	-
Net OPEB Liability (a) - (b)	\$ 1,508,114,372	1,026,328,269	918,642,242	802,709,512
 Total OPEB liability	\$ 1,533,889,120	1,046,833,893	918,642,242	802,709,512
Plan fiduciary net position	25,774,748	20,505,624	-	-
Net OPEB liability	\$ 1,508,114,372	1,026,328,269	918,642,242	802,709,512
 Covered payroll	\$ 364,301,765	384,459,031	360,955,133	350,441,877
 Net OPEB Liability as a percentage of covered payroll	414.0%	267.0%	254.5%	229.1%
 Discount Rate	2.16%	2.45%	3.13%	3.62%

Notes to Schedule:

Changes in benefit terms: None

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

Changes in key assumptions is included in the notes to required supplementary information.

* As restated

** 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, 2021

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**

	2021	2020	2019	2018
Total OPEB liability (District)				
Changes for the year:				
Service cost	\$ 131,365	125,708	120,295	223,862
Interest	376,865	358,236	186,053	193,683
Differences between expected and actual experience	(134,907)	-	1,939,148	(1,209,396)
Changes in assumptions/inputs	-	-	294,271	(1,982,462)
Benefit payments	(195,521)	(243,924)	(99,094)	(81,305)
Net changes in total OPEB liability	177,802	240,020	2,440,673	(2,855,618)
Total OPEB Liability, beginning of the fiscal year	5,175,328	4,935,308	2,494,635	5,350,253
Total OPEB Liability, end of the fiscal year (a)	\$ 5,353,130	5,175,328	4,935,308	2,494,635
Plan Fiduciary Net Position (District)				
Contributions - employer	\$ 395,521	419,678	626,536	1,668,078
Investment income, net	714,801	40,451	28,116	-
Benefit payments	(195,521)	(229,468)	(99,094)	(81,305)
Net change in plan fiduciary net position	914,801	230,661	555,558	1,586,773
Plan fiduciary net position - beginning	2,372,992	2,142,331	1,586,773	-
Plan fiduciary net position - ending (b)	\$ 3,287,793	2,372,992	2,142,331	1,586,773
District's Net OPEB Liability (a) - (b)	\$ 2,065,337	2,802,336	2,792,977	907,862
Total OPEB liability	\$ 5,353,130	5,175,328	4,935,308	2,494,635
Plan fiduciary net position	3,287,793	2,372,992	2,142,331	1,586,773
Net OPEB liability	\$ 2,065,337	2,802,336	2,792,977	907,862
Covered payroll	\$ 3,995,000	4,274,000	4,129,154	3,707,317
Net OPEB Liability as a percentage of covered payroll	51.7%	65.6%	67.6%	24.5%
Weighted average investment return	37.40%	1.87%	1.72%	0.00%
Discount Rate	7.25%	7.25%	7.25%	7.25%

Notes to Schedule:

Changes in benefit terms: None

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

Changes in key assumptions is included in the notes to required supplementary information.

** 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

Notes to Required Supplementary Information

June 30, 2021

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 2021, the original general fund expenditure budget, excluding intergovernmental charges, was decreased by \$14,682. In fiscal 2021, revenues and other financial sources were more than estimates by \$7,274 and expenditures were less than budgetary estimates by \$11,327.

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, 2021:

	<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	\$ 710,621	678,082	(19,065)	13,474
Capital leases	-	748	748	-
COLA on-behalf payments	699	699	-	-
OPEB contributions reported as fringe benefit	-	3,669	3,669	-
Adjustment of revenues to a modified basis	<u>3,543</u>	<u>-</u>	<u>-</u>	<u>3,543</u>
As reported on a GAAP basis	<u>\$ 714,863</u>	<u>683,198</u>	<u>(14,648)</u>	<u>17,017</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, 2021

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 2017 and 4.5% thereafter was used. As of January 1, 2018, a select and ultimate assumption of 3.5% for 2018 and 2019 and 4.5% thereafter was used. As of January 1, 2019, it was lowered to 4.00%.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2021

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 actuarially 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 (2011-2021):	Entry Age Normal
Amortization method (2011 - 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.
Amortization method (2021):	Appropriation increases 6.33% in 2022 and thereafter with a 69.7% decrease in 2034.
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
Remaining amortization period (2021):	13 years
Asset valuation method (2011-2021):	5-year smoothed fair value
Inflation (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 (2019-2021):	3.00%
Salary increases (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 (2019-2021):	4.00%
Investment rate of return (2011):	8.00%
Investment rate of return (2012-2013):	7.75%

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2021

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 (2019-2021):	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. Changes of assumptions are summarized as follows:

Discount rate - The City changed the discount rate to 2.16% for fiscal year 2021, 2.45% for fiscal year 2020, 3.13% for fiscal 2019 from a discount rate of 3.62% that was used in fiscal 2018.

Inflation – The City changed the inflation rate to 2.2% per year for fiscal year 2021; to 2.5% for fiscal year 2020, from 3.0% for fiscal year 2018 based on current economic data, analyses from economists and other experts, and professional judgement.

Participation rate – For fiscal year 2021 the City changed the participation rate to 85% of eligible retirees will elect to participate, 50% of retirees will elect life insurance, and all retired employees are assumed to enroll in Medicare at age 65. For fiscal years 2018 and 2020 the participation rate was assumed that 95% of future eligible retirees will elect to participate in medical plans at retirement and 10% of retirees will elect life insurance.

Dependent status – For fiscal year 2021 the city assumed 55% of future retirees will have a spouse electing coverage at the retirement date and male spouses are assumed to be three years older than female spouses. For fiscal years 2018 and 2020 the city assumed 55% of future retirees will have a spouse electing coverage at the retirement date and male spouses are assumed to be two years older than female spouses.

Claim cost trend rate - The City changed the schedule of claim cost trends for fiscal year 2021 to 7.0% for the first year and then declining over fifty-five years to 4.0% utilizing the Society of Actuaries Getzen Medical Trend Model. The City changed the schedule of claim cost trends for fiscal year 2020 to 6.0% for the first year and then declining over fifty-five years to 4.0%. The City changed the claim cost trend schedule in fiscal 2018 to 6.0% for twenty-five years and then declining over the next thirty years from 5.9% to 4.6%.

Claim costs – For fiscal year 2021 the change in the claims curve development method included retirees not eligible for Medicare who remain on the City's active plans and the medical aging factors used in the development of the claims curves. Age-adjusted costs were developed based on aging factors from the Society of Actuaries and Health Care Cost Institute study, "Health Care Costs - From Birth to Death," published in May 2013. The City revised the claim costs assumptions in fiscal 2020 based on recent City historical medical claims for self-insured plans and up-to-date premiums for the fully-insured plans. The revised the claims costs assumptions in fiscal 2018 to age-adjusted premiums for fully-insured plans, and for self-insured plans, actual plan claims experience were used to develop claim costs. They were derived from the premiums/actual claims and adjusted for the risk characteristics of the group.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2021

Mortality tables – The City changed the mortality assumptions for fiscal year 2021 to RP-2014 blue collar employee and blue collar healthy annuitant mortality tables, projected with generational mortality improvement using scale MP-2017. The City changed the mortality tables for fiscal year 2020 as follows: mortality rates for School, Fire/Police, and Other active employees were based on the PubT.H-2010, PubS.H-2010 and PubG.H-2010 Employee Mortality Table, respectively, Generational with Projection Scale MP-2019 for males or females, as appropriate. In addition, the mortality rates for School, Fire/Police, and Other retirees were based on the PubT.H-2010, PubS.H-2010 and PubG.H-2010 Healthy Retiree (Disabled Retiree for disabled retirees) Mortality Table, respectively, Generational with Projection Scale MP-2019 for males or females, as appropriate. These base tables were updated from fiscal year 2018 which used RPH-2014 tables with a generational projection using Scale MP-2018.

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, 2021

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.

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.

Ballpark District Improvements & Garage Construction – accounts for financial resources used for the construction of a new garage and streetscape improvements to the baseball district improvement area.

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2021

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.

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.

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CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

Special Revenue Funds					
	DCU Center Operations	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	859,729	6,416,839	-	827,605	8,870,072
Restricted investments	-	-	-	-	-
Receivables, net	-	-	1,632,820	-	107,258
Intergovernmental receivables	-	-	-	-	-
Total assets	\$ 859,729	6,416,839	1,632,820	827,605	8,977,330
Liabilities:					
Accounts payable	\$ 54,954	202,634	206,988	19,008	19,681
Due to general fund	-	-	790,018	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	2,407,900	-	-	-	-
Total liabilities	2,462,854	202,634	997,006	19,008	19,681
Deferred inflows of resources:					
Unavailable revenue-other	-	-	1,632,820	-	107,258
Total deferred inflows of resources	-	-	1,632,820	-	107,258
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	6,214,205	-	808,597	8,850,391
Committed	-	-	-	-	-
Unassigned	(1,603,125)	-	(997,006)	-	-
Total fund balances	(1,603,125)	6,214,205	(997,006)	808,597	8,850,391
Total liabilities, deferred inflows of resources, and fund balances	\$ 859,729	6,416,839	1,632,820	827,605	8,977,330

Special Revenue Funds					
School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	Subtotal
-	-	26,562,138	-	-	26,562,138
-	4,521,595	-	213,729	1,460,137	23,169,706
-	-	-	-	-	-
-	-	1,332,851	-	-	3,072,929
12,802,772	-	-	73,877	74,112	12,950,761
12,802,772	4,521,595	27,894,989	287,606	1,534,249	65,755,534
402,170	10,556	-	197,631	215,096	1,328,718
4,767,379	-	-	-	-	5,557,397
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,407,900
5,169,549	10,556	-	197,631	215,096	9,294,015
-	-	1,332,851	-	-	3,072,929
-	-	1,332,851	-	-	3,072,929
-	-	-	-	-	-
7,633,223	4,511,039	-	89,975	1,319,153	29,426,583
-	-	26,562,138	-	-	26,562,138
-	-	-	-	-	(2,600,131)
7,633,223	4,511,039	26,562,138	89,975	1,319,153	53,388,590
12,802,772	4,521,595	27,894,989	287,606	1,534,249	65,755,534

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Capital Projects Funds			
	DCU Center Construction	Streets and Sidewalks	Capital Equipment	Parks Improvements
Assets:				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	910,001	13,993,927	4,004,118	4,600,111
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	-	-	-	630,800
Total assets	\$ <u>910,001</u>	<u>13,993,927</u>	<u>4,004,118</u>	<u>5,230,911</u>
Liabilities:				
Accounts payable	\$ -	998,023	94,579	360,040
Due to general fund	-	-	-	-
Retainage payable	-	15,531	-	103,126
Temporary loans	676,180	13,174,431	3,263,809	6,457,367
Other liabilities	-	-	-	-
Total liabilities	<u>676,180</u>	<u>14,187,985</u>	<u>3,358,388</u>	<u>6,920,533</u>
Deferred inflows of resources:				
Unavailable revenue-other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	233,821	-	645,730	-
Committed	-	-	-	-
Unassigned	-	(194,058)	-	(1,689,622)
Total fund balances	<u>233,821</u>	<u>(194,058)</u>	<u>645,730</u>	<u>(1,689,622)</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>910,001</u>	<u>13,993,927</u>	<u>4,004,118</u>	<u>5,230,911</u>

Capital Projects Funds			
Ballpark District Improvements & Garage Constr.	CitySquare Construction	Other	Subtotal
-	-	-	-
-	99,341	2,288,841	25,896,339
-	-	-	-
-	-	-	-
9,268,872	-	-	9,899,672
<u>9,268,872</u>	<u>99,341</u>	<u>2,288,841</u>	<u>35,796,011</u>
3,659,788	-	363,443	5,475,873
9,268,872	-	-	9,268,872
473,586	-	20,282	612,525
-	-	510,000	24,081,787
-	-	-	-
<u>13,402,246</u>	<u>-</u>	<u>893,725</u>	<u>39,439,057</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	99,341	1,395,116	2,374,008
-	-	-	-
<u>(4,133,374)</u>	<u>-</u>	<u>-</u>	<u>(6,017,054)</u>
<u>(4,133,374)</u>	<u>99,341</u>	<u>1,395,116</u>	<u>(3,643,046)</u>
<u>9,268,872</u>	<u>99,341</u>	<u>2,288,841</u>	<u>35,796,011</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Permanent Funds				
	Hope Cemetery	Health Department	Libraries	Schools	Parks
Assets:					
Cash and cash equivalents	\$ -	25,234	22,677	27,692	1,180
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	6,508,797	4,530,565	13,583,931	1,113,764	757,682
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Total assets	\$ <u>6,508,797</u>	<u>4,555,799</u>	<u>13,606,608</u>	<u>1,141,456</u>	<u>758,862</u>
Liabilities:					
Accounts payable	\$ -	-	209	-	-
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue-other	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	5,575,170	3,590,314	9,407,744	818,565	540,775
Restricted	933,627	965,485	4,198,655	322,891	218,087
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>6,508,797</u>	<u>4,555,799</u>	<u>13,606,399</u>	<u>1,141,456</u>	<u>758,862</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>6,508,797</u>	<u>4,555,799</u>	<u>13,606,608</u>	<u>1,141,456</u>	<u>758,862</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	1,210	105,548	1,283	184,824	26,746,962
-	-	-	-	-	49,066,045
15,425	556,033	472,589	6,577	27,545,363	27,545,363
-	-	-	-	-	3,072,929
-	-	-	-	-	22,850,433
15,425	557,243	578,137	7,860	27,730,187	129,281,732
-	-	-	-	209	6,804,800
-	-	-	-	-	14,826,269
-	-	-	-	-	612,525
-	-	-	-	-	24,081,787
-	-	-	-	-	2,407,900
-	-	-	-	209	48,733,281
-	-	-	-	-	3,072,929
-	-	-	-	-	3,072,929
6,827	453,983	280,891	4,919	20,679,188	20,679,188
8,598	103,260	297,246	2,941	7,050,790	38,851,381
-	-	-	-	-	26,562,138
-	-	-	-	-	(8,617,185)
15,425	557,243	578,137	7,860	27,729,978	77,475,522
15,425	557,243	578,137	7,860	27,730,187	129,281,732

(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, 2021

	Special Revenue Funds				
	DCU Center Operations	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ -	6,019,580	-	-	71,500
Investment earnings	-	-	-	-	-
Charges for services	(340,600)	-	12,750,053	11,738	2,320,494
Donations	-	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Energy sales and rebates	-	-	-	-	2,110,906
Miscellaneous	-	-	-	-	-
Total revenues	(340,600)	6,019,580	12,750,053	11,738	4,502,900
Expenditures:					
Current:					
General government	-	-	-	-	425,773
Public safety	-	-	13,048,704	-	513,715
Health and human services	-	-	-	-	330,100
Education	-	6,445,327	-	-	-
Public works	-	-	-	2,749,915	74,627
Culture and recreation	2,459,586	-	-	-	-
Community development	-	-	-	-	896,759
Debt service:					
Principal	261,331	-	-	1,017,687	864,229
Interest	44,789	-	-	753,233	-
Bond issuance costs	-	-	-	-	-
Total expenditures	2,765,706	6,445,327	13,048,704	4,520,835	3,105,203
Excess (deficiency) of revenues over expenditures	(3,106,306)	(425,747)	(298,651)	(4,509,097)	1,397,697
Other financing sources (uses):					
Transfers in	500,000	-	-	3,629,878	-
Transfers out	-	-	-	-	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-
Deferred charge - debt refunding	-	-	-	-	-
Total other financing sources (uses)	500,000	-	-	3,629,878	-
Net change in fund balances	(2,606,306)	(425,747)	(298,651)	(879,219)	1,397,697
Fund balances – beginning	1,003,181	6,639,952	(698,355)	1,687,816	7,452,694
Fund balances – ending	\$ (1,603,125)	6,214,205	(997,006)	808,597	8,850,391

Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	Subtotal
52,071,648	517,002	-	3,411,866	4,244,483	66,336,079
-	-	-	-	-	-
7,360	303,075	6,537,848	72,034	71,000	21,733,002
637,312	-	-	-	-	637,312
-	-	-	-	-	-
-	-	-	-	-	2,110,906
-	-	203,936	-	-	203,936
<u>52,716,320</u>	<u>820,077</u>	<u>6,741,784</u>	<u>3,483,900</u>	<u>4,315,483</u>	<u>91,021,235</u>
-	-	-	-	-	425,773
-	-	-	-	-	13,562,419
-	-	-	-	4,878,809	5,208,909
50,668,644	317,189	-	-	-	57,431,160
-	-	-	-	-	2,824,542
-	-	-	-	-	2,459,586
-	-	-	3,303,061	-	4,199,820
-	-	-	92,000	-	2,235,247
-	-	-	43,797	-	841,819
-	-	-	-	-	-
<u>50,668,644</u>	<u>317,189</u>	<u>-</u>	<u>3,438,858</u>	<u>4,878,809</u>	<u>89,189,275</u>
<u>2,047,676</u>	<u>502,888</u>	<u>6,741,784</u>	<u>45,042</u>	<u>(563,326)</u>	<u>1,831,960</u>
410,864	-	-	-	-	4,540,742
-	-	(6,930,543)	-	-	(6,930,543)
-	-	992,619	-	-	992,619
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>410,864</u>	<u>-</u>	<u>(5,937,924)</u>	<u>-</u>	<u>-</u>	<u>(1,397,182)</u>
2,458,540	502,888	803,860	45,042	(563,326)	434,778
5,174,683	4,008,151	25,758,278	44,933	1,882,479	52,953,812
<u>7,633,223</u>	<u>4,511,039</u>	<u>26,562,138</u>	<u>89,975</u>	<u>1,319,153</u>	<u>53,388,590</u>

(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, 2021

	Capital Projects Funds			
	DCU Center Construction	Streets and Sidewalks	Capital Equipment	Parks Improvements
Revenues:				
Intergovernmental	\$ -	4,559,624	-	1,507,575
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	-	-	-	-
Contributions to permanent fund	-	-	-	-
Energy sales and rebates	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	4,559,624	-	1,507,575
Expenditures:				
Current:				
General government	-	-	383,510	-
Public safety	-	-	421,729	-
Health and human services	-	-	-	-
Education	-	-	59,684	-
Public works	-	13,575,720	1,027,049	-
Culture and recreation	183,931	-	49,177	7,373,324
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Refunding bonds issuance costs	190,495	98,793	-	36,891
Total expenditures	374,426	13,674,513	1,941,149	7,410,215
Excess (deficiency) of revenues over expenditures	(374,426)	(9,114,889)	(1,941,149)	(5,902,640)
Other financing sources (uses):				
Transfers in	-	-	1,018,482	500,000
Transfers out	(315,000)	(2,045,769)	-	-
Premium on issuance of bonds and notes	2,293	3,662,952	-	-
Issuance of bonds	634,321	12,854,962	2,082,331	5,575,000
Premium on issuance of refunding bonds	283,126	1,022,801	-	349,017
Issuance of refunding bonds	20,287,787	17,940,720	-	7,044,275
Payment to refunded bonds escrow agent	(19,320,807)	(18,315,200)	-	(7,151,200)
Deferred charge - debt refunding	(1,059,611)	(549,528)	-	(205,201)
Total other financing sources (uses)	512,109	14,570,938	3,100,813	6,111,891
Net change in fund balances	137,683	5,456,049	1,159,664	209,251
Fund balances – beginning	96,138	(5,650,107)	(513,934)	(1,898,873)
Fund balances – ending	\$ 233,821	(194,058)	645,730	(1,689,622)

Capital Projects Funds			
Ballpark District Improvements & Garage Constr.	CitySquare Construction	Other	Subtotal
10,996,649	-	-	17,063,848
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,996,649	-	-	17,063,848
-	-	-	383,510
-	-	-	421,729
-	-	-	-
-	-	-	59,684
15,130,023	856,357	1,213,861	31,803,010
-	-	-	7,606,432
-	-	105,833	105,833
-	-	-	-
-	-	-	-
-	72,442	5,227	403,848
15,130,023	928,799	1,324,921	40,784,046
(4,133,374)	(928,799)	(1,324,921)	(23,720,198)
-	408,281	911,459	2,838,222
-	-	-	(2,360,769)
-	-	-	3,665,245
-	-	2,726,100	23,872,714
-	-	148,347	1,803,291
-	7,937,120	2,018,727	55,228,629
-	(7,461,727)	(2,132,775)	(54,381,709)
-	(402,951)	(29,072)	(2,246,363)
-	480,723	3,642,786	28,419,260
(4,133,374)	(448,076)	2,317,865	4,699,062
-	547,417	(922,749)	(8,342,108)
(4,133,374)	99,341	1,395,116	(3,643,046)

(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, 2021

	Permanent Funds				
	Hope Cemetery	Health Department	Library	Schools	Parks
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	1,550,612	989,735	2,666,222	244,460	165,482
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	65,341	-	56,496	718	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	1,615,953	989,735	2,722,718	245,178	165,482
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	3,000	-	-	-
Education	-	-	-	4,600	-
Public works	-	-	-	-	-
Culture and recreation	-	-	118,852	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Refunding bonds issuance costs	-	-	-	-	-
Total expenditures	-	3,000	118,852	4,600	-
Excess (deficiency) of revenues over expenditures	1,615,953	986,735	2,603,866	240,578	165,482
Other financing sources (uses):					
Transfers in	-	3,000	101,100	15,200	-
Transfers out	(59,589)	(3,000)	(101,100)	(15,200)	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-
Deferred charge - debt refunding	-	-	-	-	-
Total other financing sources (uses)	(59,589)	-	-	-	-
Net change in fund balances	1,556,364	986,735	2,603,866	240,578	165,482
Fund balances – beginning	4,952,433	3,569,064	11,002,533	900,878	593,380
Fund balances – ending	\$ 6,508,797	4,555,799	13,606,399	1,141,456	758,862

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	83,399,927
3,369	121,441	103,286	1,515	5,846,122	5,846,122
-	-	-	-	-	21,733,002
-	-	-	-	-	637,312
-	-	-	-	122,555	122,555
-	-	-	-	-	2,110,906
-	-	-	-	-	203,936
3,369	121,441	103,286	1,515	5,968,677	114,053,760
-	-	-	-	-	809,283
-	-	-	-	-	13,984,148
-	-	-	1,000	4,000	5,212,909
-	-	-	-	4,600	57,495,444
-	-	400	-	400	34,627,952
-	-	-	-	118,852	10,184,870
-	-	-	-	-	4,305,653
-	-	-	-	-	2,235,247
-	-	-	-	-	841,819
-	-	-	-	-	403,848
-	-	400	1,000	127,852	130,101,173
3,369	121,441	102,886	515	5,840,825	(16,047,413)
-	-	900	1,000	121,200	7,500,164
-	-	(900)	(1,000)	(180,789)	(9,472,101)
-	-	-	-	-	4,657,864
-	-	-	-	-	23,872,714
-	-	-	-	-	1,803,291
-	-	-	-	-	55,228,629
-	-	-	-	-	(54,381,709)
-	-	-	-	-	(2,246,363)
-	-	-	-	(59,589)	26,962,489
3,369	121,441	102,886	515	5,781,236	10,915,076
12,056	435,802	475,251	7,345	21,948,742	66,560,446
15,425	557,243	578,137	7,860	27,729,978	77,475,522

(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, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,587,104	1,587,104	1,865,430	278,326
Miscellaneous	30,000	30,000	10,433	(19,567)
Total revenues	<u>1,617,104</u>	<u>1,617,104</u>	<u>1,875,863</u>	<u>258,759</u>
Expenditures:				
Salaries and benefits	407,023	440,975	433,049	7,926
Ordinary maintenance	935,000	901,000	900,169	831
Debt service	419,639	419,639	416,663	2,976
Indirect costs	37,087	37,087	37,087	-
Total expenditures	<u>1,798,749</u>	<u>1,798,701</u>	<u>1,786,968</u>	<u>11,733</u>
Excess (deficiency) of revenues over expenditures	<u>(181,645)</u>	<u>(181,597)</u>	<u>88,895</u>	<u>270,492</u>
Other financing sources (uses):				
Transfers in	200,000	200,000	200,000	-
Transfers (out) for pension bond assessment	<u>(18,355)</u>	<u>(18,403)</u>	<u>(18,403)</u>	<u>-</u>
Total other financing sources (uses)	<u>181,645</u>	<u>181,597</u>	<u>181,597</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>-</u>	<u>270,492</u>	<u>270,492</u>
Budgetary fund balance – beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ -</u>	<u>-</u>	<u>270,492</u>	<u>270,492</u>

Reconciliation to GAAP-basis:

	<u>Expenses</u>	<u>Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 1,786,968	181,597	270,492
Change in net pension liability and related pension deferred inflows and outflows	(14,680)	-	14,680
Change in net OPEB liability and related OPEB deferred inflows and outflows	(43,765)	-	43,765
OPEB contribution paid by general fund	1,389	1,389	-
Net change in compensated absences	3,303	-	(3,303)
Capital projects expenses	10,156	-	(10,156)
Debt service principal	(314,368)	-	314,368
Amortization of premium interest	(18,596)	-	18,596
Refunding bonds issuance costs	2,093	-	(2,093)
Amortization of deferred interest charge	3,893	-	(3,893)
Net change in accrued interest	(1,588)	-	1,588
Depreciation	<u>202,748</u>	<u>-</u>	<u>(202,748)</u>
As reported on a GAAP basis	<u>\$ 1,617,553</u>	<u>182,986</u>	<u>441,296</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, 2021

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 46,087,385	46,087,385	47,114,678	1,027,293
Miscellaneous	830,000	830,000	1,243,503	413,503
Total revenues	46,917,385	46,917,385	48,358,181	1,440,796
Expenditures:				
Salaries and benefits	6,846,077	6,657,378	6,637,662	19,716
Ordinary maintenance	24,721,209	24,921,209	24,766,851	154,358
Capital	24,500	24,500	-	24,500
Debt service	10,699,702	10,681,702	10,399,006	282,696
Indirect costs	4,110,116	4,110,116	4,110,116	-
Total expenditures	46,401,604	46,394,905	45,913,635	481,270
Excess of revenues over expenditures	515,781	522,480	2,444,546	1,922,066
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(515,781)	(522,480)	(522,480)	-
Total other financing sources (uses)	(515,781)	(522,480)	(522,480)	-
Net changes in fund balance	-	-	1,922,066	1,922,066
Budgetary fund balance – beginning	3,269,560	3,269,560	3,269,560	-
Budgetary fund balance – ending	\$ 3,269,560	3,269,560	5,191,626	1,922,066

Reconciliation to GAAP-basis:

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 48,358,181	45,913,635	(522,480)	1,922,066
Net change in accrued receivables	1,974,223	-	-	1,974,223
Change in net pension liability and related pension deferred inflows and outflows	-	(379,125)	-	379,125
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	1,224,497	-	(1,224,497)
OPEB contribution paid by general fund	-	29,450	29,450	-
Net change in compensated absences	-	(8,802)	-	8,802
Net change in claims and judgments	-	72,349	-	(72,349)
Capital grants	-	-	877	877
Capital projects expenses	-	331,146	-	(331,146)
Debt service principal	-	(6,476,502)	-	6,476,502
Amortization of premium interest	-	(638,237)	-	638,237
Refunding bonds issuance costs	-	198,362	-	(198,362)
Amortization of deferred interest charge	-	369,048	-	(369,048)
Net change in accrued interest	-	305,100	-	(305,100)
Depreciation	-	12,489,556	-	(12,489,556)
As reported on a GAAP basis	\$ 50,332,404	53,430,477	(492,153)	(3,590,226)

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, 2021

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 26,023,751	26,023,751	29,257,339	3,233,588
Miscellaneous	1,240,500	1,240,500	1,162,059	(78,441)
Total revenues	27,264,251	27,264,251	30,419,398	3,155,147
Expenditures:				
Salaries and benefits	12,203,284	11,715,236	10,981,984	733,252
Ordinary maintenance	4,215,100	4,715,100	4,365,182	349,918
Capital	25,000	25,000	9,821	15,179
Debt service	7,369,858	7,354,858	7,229,720	125,138
Indirect costs	2,769,967	2,769,967	2,769,967	-
Total expenditures	26,583,209	26,580,161	25,356,674	1,223,487
Excess of revenues over expenditures	681,042	684,090	5,062,724	4,378,634
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(681,042)	(13,684,090)	(13,684,090)	-
Total other financing sources (uses)	(681,042)	(13,684,090)	(13,684,090)	-
Net changes in fund balance	-	(13,000,000)	(8,621,366)	4,378,634
Budgetary fund balance – beginning	19,334,393	19,334,393	19,334,393	-
Budgetary fund balance – ending	\$ 19,334,393	6,334,393	10,713,027	4,378,634

Reconciliation to GAAP-basis:

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 30,419,398	25,356,674	(13,684,090)	(8,621,366)
Net change in accrued receivables	(671,978)	-	-	(671,978)
Change in net pension liability and related pension deferred inflows and outflows	-	(873,431)	-	873,431
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	4,894,003	-	(4,894,003)
OPEB contribution paid by general fund	-	68,940	68,940	-
Net change in compensated absences	-	(84,854)	-	84,854
Net change in claims and judgments	-	(209,017)	-	209,017
Capital grants	-	-	-	-
Transfers out to capital projects fund	-	-	13,000,000	13,000,000
Capital projects expenses	-	403,545	-	(403,545)
Debt service principal	-	(4,892,379)	-	4,892,379
Amortization of premium interest	-	(403,210)	-	403,210
Refunding bonds issuance costs	-	76,947	-	(76,947)
Amortization of deferred interest charge	-	143,159	-	(143,159)
Net change in accrued interest	-	214,266	-	(214,266)
Depreciation	-	8,963,782	-	(8,963,782)
As reported on a GAAP basis	\$ 29,747,420	33,658,425	(615,150)	(4,526,155)

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CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Activities
Schedule by Function and Activity

June 30, 2021

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 29,439,335	126,847,213	7,377,223
Elections	-	-	-
Energy Asset Management	-	5,974,086	-
Technical Services	-	1,649,661	-
Total general government	29,439,335	134,470,960	7,377,223
Public safety:			
Police	514,500	1,287,105	105,743
Fire	1,074,600	9,448,616	-
Inspectional Services	209,905	544,620	-
Communications	-	4,554,550	-
Total public safety	1,799,005	15,834,891	105,743
Health and human services:			
Health	-	37,065	-
Workforce investment board	-	-	-
Veteran's Services	-	-	152,895
Elder Affairs	385,000	1,290,694	1,000,476
Total health and human services	385,000	1,327,759	1,153,371
Public works	3,608,839	89,256,644	98,570,637
Education	3,808,537	275,495,570	5,242,999
Community development	-	78,038	477,039
Culture and recreation:			
Library	305,000	10,829,421	-
Auditorium	150,000	608,846	-
DCU Center	263,000	39,223,551	-
Hope Cemetery	290,000	1,388,752	144,547
Parks	5,327,777	2,790,035	55,950,770
Total culture and recreation	6,335,777	54,840,605	56,095,317
Total governmental activities capital assets	\$ 45,376,493	571,304,467	169,022,329

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
-	-	-	-	163,663,771
-	83,323	-	-	83,323
-	25,128,110	-	-	31,102,196
-	2,810,850	-	-	4,460,511
-	28,022,283	-	-	199,309,801
64,066	1,114,221	-	-	3,085,635
3,491,410	909,678	436,981	-	15,361,285
-	-	-	-	754,525
-	5,925,393	-	42,236	10,522,179
3,555,476	7,949,292	436,981	42,236	29,723,624
-	-	-	-	37,065
-	-	-	-	-
-	-	-	-	152,895
-	111,487	-	494,076	3,281,733
-	111,487	-	494,076	3,471,693
2,245,205	1,903,573	159,763,882	13,715,318	369,064,098
2,840,710	6,570,649	-	169,684,421	463,642,886
-	-	-	-	555,077
-	277,916	-	9,975,802	21,388,139
-	-	-	114,169	873,015
133,170	1,674,564	-	324,248	41,618,533
34,164	-	704,162	-	2,561,625
897,164	160,178	1,160,012	6,585,457	72,871,393
1,064,498	2,112,658	1,864,174	16,999,676	139,312,705
9,705,889	46,669,942	162,065,037	200,935,727	1,205,079,884

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, 2021

Function and activity	Governmental activities capital assets July 1, 2020	Additions	Deductions	Governmental activities capital assets June 30, 2021
General government:				
Manager	\$ 8,086,033	157,879,249	2,301,511	163,663,771
Elections	27,732	92,581	36,990	83,323
Energy Asset Management	6,360,130	51,696,876	26,954,810	31,102,196
Technical Services	3,752,641	1,466,162	758,292	4,460,511
Total general government	18,226,536	211,134,868	30,051,603	199,309,801
Public safety:				
Police	3,364,587	198,490	477,442	3,085,635
Fire	16,977,209	59,339	1,675,263	15,361,285
Inspectional Services	641,638	158,164	45,277	754,525
Communications	11,452,778	139,306	1,069,905	10,522,179
Total public safety	32,436,212	555,299	3,267,887	29,723,624
Health and human services:				
Health	39,621	-	2,556	37,065
Workforce investment board	13,457	-	13,457	0
Veteran's Services	162,161	-	9,266	152,895
Elder Affairs	1,911,441	1,512,823	142,531	3,281,733
Total health and human svc	2,126,680	1,512,823	167,810	3,471,693
Public works	426,931,069	159,943,003	217,809,974	369,064,098
Education	408,283,233	74,312,612	18,952,959	463,642,886
Community development	605,339	-	50,262	555,077
Culture and recreation:				
Library	16,305,024	5,738,627	655,512	21,388,139
Auditorium	938,826	-	65,811	873,015
DCU Center	45,662,674	300,848	4,344,989	41,618,533
Hope Cemetery	2,711,561	-	149,936	2,561,625
Parks	71,875,707	6,273,669	5,277,983	72,871,393
Total culture and recreation	137,493,792	12,313,144	10,494,231	139,312,705
Total governmental activities capital assets	\$ 1,026,102,861	459,771,749	280,794,726	1,205,079,884

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Worcester's Annual Comprehensive 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.

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Financial Trends	180
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	190
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	197
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.	
Demographic and Economic Information	202
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	205
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 annual comprehensive financial reports for the relevant year.

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Table 1

CITY OF WORCESTER, MASSACHUSETTS

Net Position by Component (1)

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2012	2013	2014 (2)	2015	2016	2017 (3)	2018	2019	2020 (4)	2021
Governmental activities:										
Net investment in capital assets (1)	\$ 288,776	310,299	333,718	361,677	402,433	433,725	441,004	469,471	518,388	545,176
Restricted	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968	72,424
Unrestricted	(232,785)	(254,054)	(608,267)	(640,192)	(693,216)	(1,184,168)	(1,247,332)	(1,325,449)	(1,502,876)	(1,554,474)
Total governmental activities net position	\$ 96,367	99,779	(219,554)	(222,337)	(234,539)	(688,876)	(740,535)	(785,142)	(921,520)	(936,874)
Business-type activities:										
Net investment in capital assets (1)	\$ 87,856	86,123	86,648	88,675	90,920	84,896	86,281	85,721	76,803	71,513
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,776	11,024	(10,304)	(12,425)	(12,985)	(18,103)	(19,802)	(19,329)	(22,492)	(24,877)
Total business-type net position	\$ 98,632	97,147	76,344	76,250	77,935	66,793	66,479	66,392	54,311	46,636
Primary government:										
Net investment in capital assets (1)	\$ 376,632	396,422	420,366	450,352	493,353	518,621	527,285	555,192	595,191	616,689
Restricted	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968	72,424
Unrestricted	(222,009)	(243,030)	(618,571)	(652,617)	(706,201)	(1,202,271)	(1,267,134)	(1,344,778)	(1,525,368)	(1,579,351)
Total primary government net position	\$ 194,999	196,926	(143,210)	(146,087)	(156,604)	(622,083)	(674,056)	(718,750)	(867,209)	(890,238)

(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.

(4) Net position changed for restatement of Net OPEB Liability as of June 30, 2020.

Table 2

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (1)

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020 (5)	2021
Expenses										
Governmental activities:										
General government	\$ 21,552	24,652	49,096	23,721	29,353	48,401	47,038	33,886	40,462	46,313
Public safety	126,488	129,490	302,717	160,408	156,918	277,546	171,039	190,526	227,154	177,056
Health and human services	20,597	18,396	32,756	16,650	19,262	22,680	14,270	15,177	15,877	25,079
Education	435,526	451,582	548,011	424,350	480,201	792,154	527,848	555,917	664,027	625,106
Public works	39,584	40,387	57,769	47,280	41,955	66,303	56,693	57,070	61,155	67,541
Culture and recreation	21,535	21,756	35,211	27,461	26,351	31,747	28,858	31,662	36,155	42,223
Community development	4,399	1,820	4,256	4,063	6,562	7,028	5,975	8,952	10,401	6,943
Interest on debt	23,968	25,873	26,555	21,806	20,883	20,074	21,672	21,660	20,253	22,670
Total governmental activities expenses	693,649	713,956	1,056,371	725,739	781,485	1,265,933	873,393	914,850	1,075,484	1,012,931
Business-type activities:										
Water	24,388	25,734	39,096	27,391	26,785	33,730	28,063	29,511	33,820	33,658
Sewer	35,284	37,991	45,563	39,972	42,018	48,533	47,932	51,185	52,119	53,430
Airport	-	-	-	-	-	-	-	-	-	-
Golf course (nonmajor)	1,246	1,293	1,713	1,429	1,386	1,452	1,392	1,564	1,651	1,618
Total business-type expenses	60,918	65,018	86,372	68,792	70,189	83,715	77,387	82,260	87,590	88,706
Total primary government expenses	\$ 754,567	778,974	1,142,743	794,531	851,674	1,349,648	950,780	997,110	1,163,074	1,101,637
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 15,935	14,969	16,118	17,444	20,844	18,835	18,808	21,372	20,981	23,007
Public works	11,917	9,920	11,356	8,823	9,369	10,588	9,624	10,401	11,036	10,417
Other activities	8,823	8,752	8,770	8,623	8,579	8,709	7,523	12,139	11,665	7,977
Operating grants and contributions	363,538	365,227	374,157	342,932	363,557	387,555	393,634	409,107	452,784	478,498
Capital grants and contributions	10,691	23,252	15,562	24,528	29,007	34,946	24,198	34,627	53,126	55,153
Total governmental activities program revenues	410,904	422,120	425,963	402,350	431,356	460,633	453,787	487,646	549,592	575,052
Business-type activities:										
Charges for services:										
Water	27,002	26,838	28,243	28,360	29,278	30,250	29,588	29,927	28,915	29,747
Sewer	34,443	34,066	36,262	38,951	40,550	41,954	43,192	46,243	45,625	50,332
Golf course (nonmajor)	1,127	1,058	1,096	1,090	1,206	1,106	1,125	1,134	1,053	1,876
Operating grants and contributions	-	385	-	-	-	-	-	-	-	-
Capital grants and contributions	2,691	2,106	386	-	330	286	3,814	6,012	599	1
Total business-type activities program revenues	65,263	64,453	65,987	68,401	71,364	73,596	77,719	83,316	76,192	81,956
Total primary government program revenues	\$ 476,167	486,573	491,950	470,751	502,720	534,229	531,506	570,962	625,784	657,008

(continued)

Table 2 (continued)

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (1)

(Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020 (5)	2021
Net (expense)/revenue										
Governmental activities	\$ (282,745)	(291,836)	(630,408)	(323,389)	(350,129)	(805,300)	(419,606)	(427,204)	(525,892)	(437,879)
Business-type activities	4,345	(565)	(20,385)	(391)	1,175	(10,119)	332	1,056	(11,398)	(6,750)
Total primary government net (expense)/ revenue	\$ (278,400)	(292,401)	(650,793)	(323,780)	(348,954)	(815,419)	(419,274)	(426,148)	(537,290)	(444,629)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 225,460	233,206	247,313	257,423	271,801	275,979	288,275	297,653	308,857	334,059
Motor vehicle excise taxes	11,866	12,720	13,075	14,305	15,554	16,281	15,702	16,551	16,509	16,929
Intergovernmental	36,298	36,039	36,974	37,844	39,096	40,732	42,286	43,796	44,942	44,931
Other	9,886	11,730	13,227	11,244	11,883	16,788	15,501	19,636	15,113	21,372
Transfers (net)	3,366	920	418	(297)	(510)	1,023	646	1,143	683	925
Gain on sale of capital assets	-	564	-	-	-	-	-	-	-	-
Donations	68	69	68	87	103	160	225	507	244	123
Energy sales and rebates	-	-	-	-	-	-	5,312	3,311	3,166	4,186
Extraordinary item - transfer of airport debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities	286,944	295,248	311,075	320,606	337,927	350,963	367,947	382,597	389,514	422,525
Business-type activities										
Transfers (net)	(3,366)	(920)	(418)	297	510	(1,023)	(646)	(1,143)	(683)	(925)
Loss on airport disposal	-	-	-	-	-	-	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	-	-
Total business-type activities	(3,366)	(920)	(418)	297	510	(1,023)	(646)	(1,143)	(683)	(925)
Total primary government	\$ 283,578	294,328	310,657	320,903	338,437	349,940	367,301	381,454	388,831	421,600
Changes in Net Position										
Governmental activities	\$ 4,199	3,412	(319,333)	(2,783)	(12,202)	(454,337)	(51,659)	(44,607)	(136,378)	(15,354)
Business-type activities	979	(1,485)	(20,803)	(94)	1,685	(11,142)	(314)	(87)	(12,081)	(7,675)
Total primary government	\$ 5,178	1,927	(340,136)	(2,877)	(10,517)	(465,479)	(51,973)	(44,694)	(148,459)	(23,029)

(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.

(5) Expenses in fiscal 2020 was restated for a prior period adjustment of the net OPEB liability.

(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
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
2020		334,059	16,929	6,086	3,752	14	850	411	362,101

(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*)

	2012	2013	2014	2015	2016	2017	2018	2019	2020 (1)	2021
General fund:										
Restricted	\$ 1,444	2,652	7,020	8,425	8,896	11,753	15,009	17,430	-	-
Unassigned	25,520	27,869	27,870	26,823	34,652	40,383	42,377	47,971	53,226	70,242
Total general fund	<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>	<u>70,242</u>
All other governmental funds:										
Nonspendable	\$ 13,918	15,579	11,961	12,935	13,062	15,686	15,626	16,022	15,717	20,679
Restricted	31,849	32,228	38,863	39,153	37,378	38,880	35,955	55,318	47,894	54,120
Committed	29,057	35,896	39,734	40,025	38,925	37,788	44,116	45,801	46,696	56,173
Unassigned	(35,686)	(38,492)	(41,479)	(36,088)	(53,372)	(83,752)	(31,846)	(36,013)	(73,936)	(127,908)
Total all other governmental funds	<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>	<u>3,064</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*)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES										
Property taxes	\$ 225,501	233,327	246,742	256,652	271,977	276,746	289,195	296,190	306,738	336,723
Motor vehicle excise taxes	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689	17,103
Other taxes and in-lieu payments	6,015	6,064	6,559	6,872	7,303	7,596	8,336	8,492	7,953	11,921
Penalties and interest on taxes	2,872	2,532	2,440	2,107	2,530	2,315	2,049	2,329	2,260	2,827
Licenses and permits	5,210	4,992	5,274	5,795	6,388	6,713	6,943	6,736	7,443	7,063
Intergovernmental (1)	417,838	425,047	434,696	380,721	392,272	407,424	396,952	426,783	470,460	481,014
Charges for services	24,988	24,106	24,123	24,137	28,418	25,746	26,097	33,144	31,926	30,025
Fines and forfeitures	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900	1,817
Investment earnings (losses)	(35)	2,116	3,107	567	930	3,228	2,219	5,331	3,075	6,557
Donations	4,677	11,396	5,997	5,059	5,120	4,753	5,589	2,836	5,607	8,174
Contributions to permanent funds	68	69	69	87	103	160	225	507	244	123
Energy sales and rebates	-	-	-	-	-	-	5,312	3,311	3,166	4,186
Miscellaneous	1,723	1,452	1,845	2,259	1,733	4,197	3,608	4,048	2,481	875
Total revenues	703,590	726,538	747,284	701,618	734,704	757,311	765,165	808,726	858,942	908,408
EXPENDITURES										
General government (2)	28,650	31,911	25,559	24,574	39,609	53,943	31,560	26,376	29,638	58,303
Public safety (2)	94,006	93,314	96,604	97,773	114,414	109,885	109,581	116,991	122,108	118,550
Health and human services	17,788	15,547	14,872	13,619	15,810	18,355	12,160	11,785	12,720	14,175
Education (2)	299,134	296,957	316,669	313,239	337,664	351,885	357,957	385,801	435,541	430,457
Public works	55,072	61,137	53,607	61,059	62,248	49,887	44,103	69,871	102,470	146,540
Culture and recreation	16,758	26,590	35,534	22,027	19,826	19,364	29,924	24,088	29,767	30,421
Fringe benefits (1)	143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355	132,494
Community development	4,399	1,820	4,256	4,064	7,153	7,273	5,917	8,887	10,336	6,893
State & regional charges	29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,531	35,616
Debt service:										
Principal	36,747	36,746	37,922	54,979	46,974	45,917	45,743	48,459	47,387	49,110
Interest	26,890	27,269	27,964	23,825	23,583	22,677	24,196	24,819	25,285	24,468
Refunding bonds issuance costs	-	-	-	-	-	-	-	-	-	580
Total expenditures	752,692	770,607	800,933	749,399	804,179	820,176	798,110	863,540	991,138	1,047,607
Excess of revenues										
(under) expenditures	(49,102)	(44,069)	(53,649)	(47,781)	(69,475)	(62,865)	(32,945)	(54,814)	(132,196)	(139,199)

(continued)

Table 5 (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*)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 27,305	27,117	25,473	33,917	41,360	22,520	28,485	28,675	26,069	30,246
Transfers (out)	(23,832)	(26,197)	(25,055)	(34,215)	(41,870)	(21,497)	(27,839)	(27,532)	(25,386)	(29,321)
Premium on issuance of bonds and notes	479	3,789	3,366	4,081	3,988	4,362	6,778	3,186	5,363	12,175
Sale of capital assets	-	840	-	-	-	-	-	-	-	-
Issuance of bonds and notes	29,867	48,150	52,492	41,589	44,280	38,677	84,369	70,718	63,173	108,479
Premium from issuance of refunding bonds	-	300	-	2,305	2,314	612	1,549	-	-	3,869
Issuance of refunding bonds	7,422	3,015	-	7,407	9,439	8,892	23,233	-	-	89,715
Payment to refunded bond escrow agent	(7,521)	(3,315)	-	-	(9,439)	(9,504)	(24,781)	-	-	(89,779)
Deferred charge - debt refunding	-	-	-	-	-	-	-	-	-	(3,225)
Capital lease	-	-	5,609	-	7,671	-	1,650	5,059	6,045	749
Total other financing sources (uses), net	<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>	<u>122,908</u>
Net change in fund balances	\$ <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>	<u>(16,291)</u>
Debt service as a percentage of noncapital expenditures	9.2%	9.1%	9.1%	11.4%	10.1%	9.6%	9.6%	9.6%	9.0%	9.1%

(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, 2020 and 2021 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, \$6,045 and \$748 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
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
2021	336,723	17,103	6,086	3,752	14	850	411	809	365,748

(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, 2021

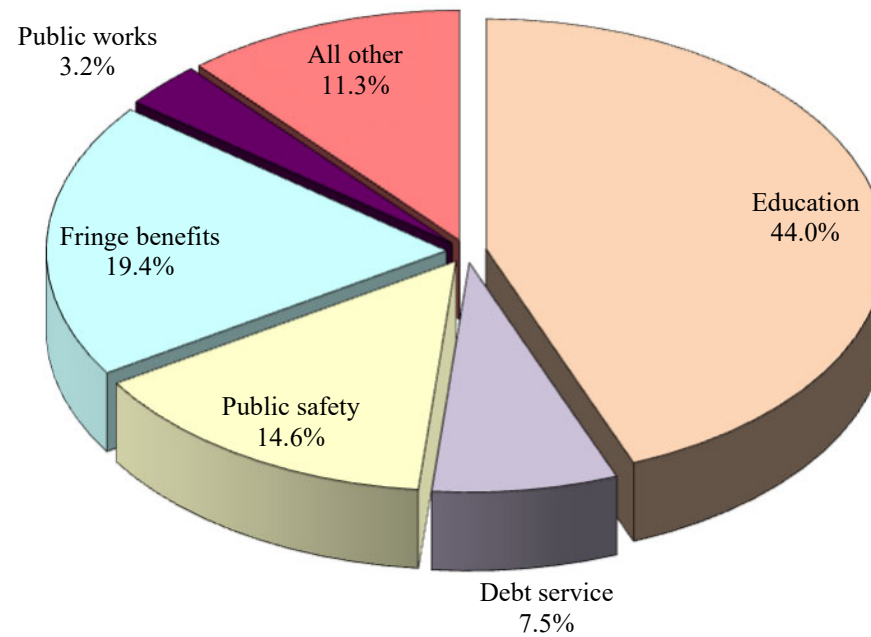


Table 7

CITY OF WORCESTER, MASSACHUSETTS

General Fund Expenditures

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government (3)	\$	14,598	15,570	16,809	17,930	18,396	19,374	22,634	21,508	24,116	25,443
Public safety (3)		77,812	80,413	82,546	83,930	95,321	93,297	93,491	97,693	103,936	99,632
Health and human services (2)		764	926	730	860	3,196	3,652	3,599	3,893	3,939	3,819
Education (3)		222,923	235,106	250,819	247,223	259,527	260,466	279,177	287,372	303,528	300,749
Public works		18,030	18,995	19,740	20,758	18,673	22,755	22,442	22,180	20,441	21,800
Culture and recreation		8,123	8,467	8,951	9,385	9,714	10,445	11,861	12,001	11,860	12,193
Fringe benefits (1)		143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355	132,494
State and regional charges		29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,532	35,617
Debt service		47,067	47,510	48,996	52,677	52,672	50,749	50,968	52,680	51,895	51,451
Totals	\$	<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>	<u>683,198</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, 2020 and 2021 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, \$6,045 and \$748 respectively.

General Fund Revenues
Modified Accrual Basis of Accounting
Year Ended June 30, 2021

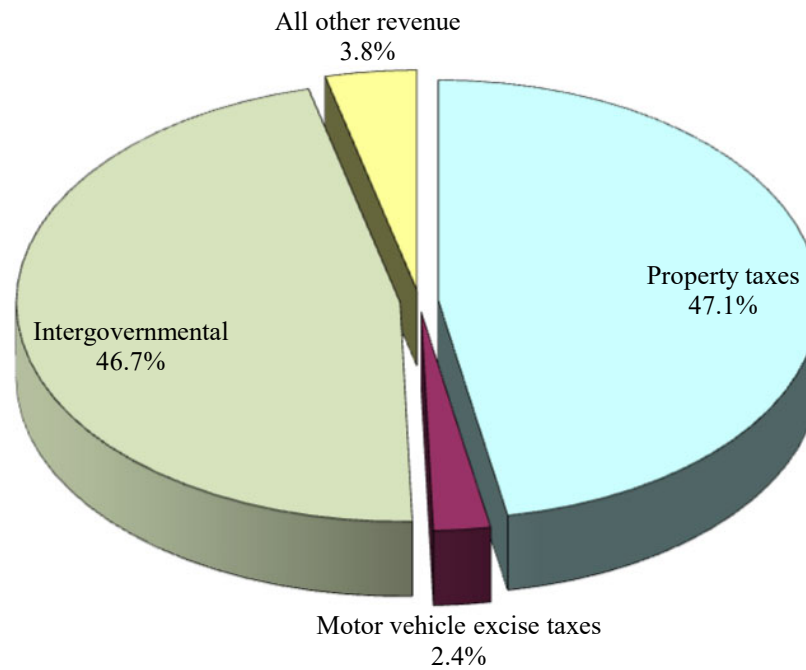


Table 8

CITY OF WORCESTER, MASSACHUSETTS

General Fund Revenues

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

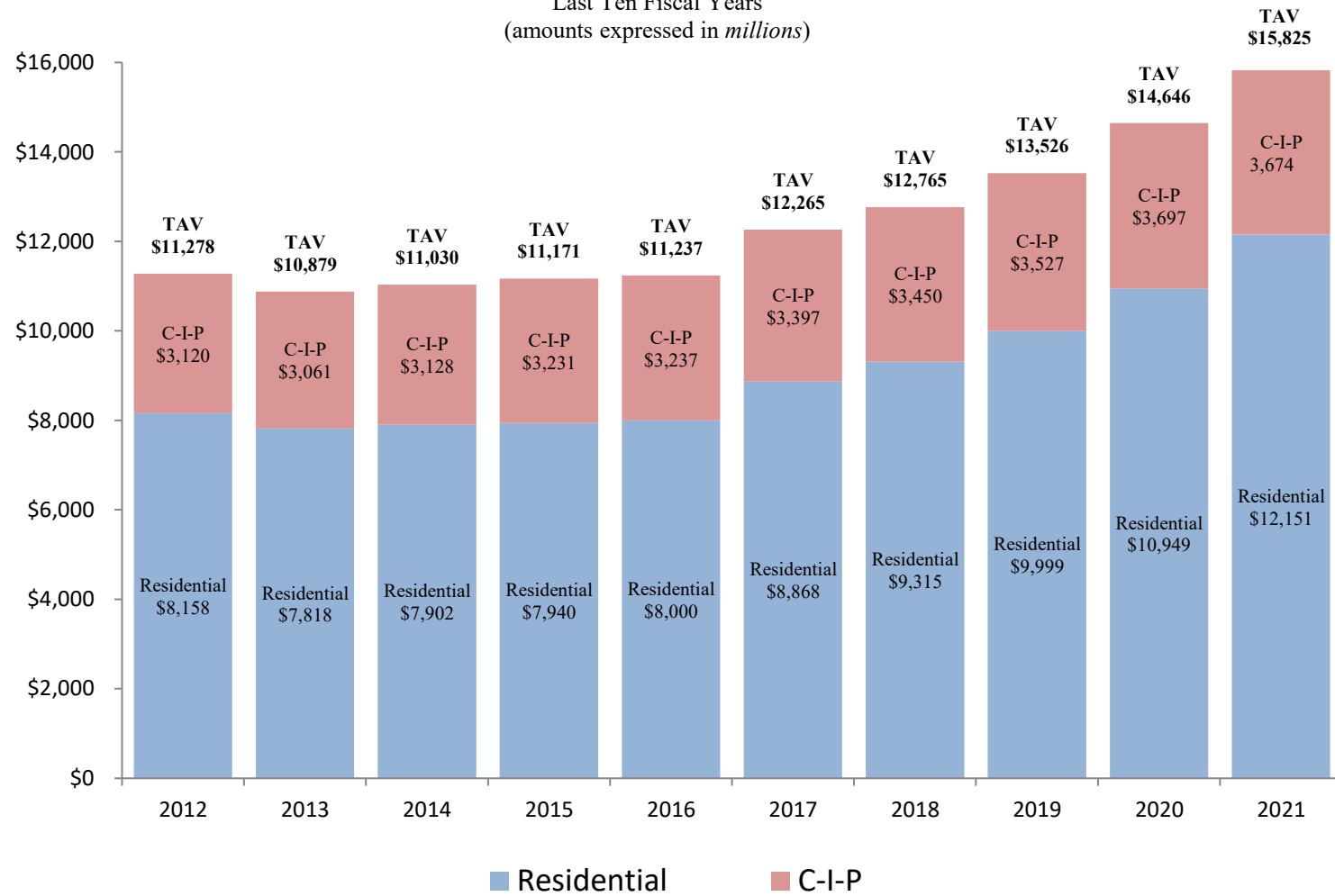
(amounts expressed in *thousands*)

	<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>	<u>2021</u>
Property taxes	\$ 225,501	233,328	246,742	256,652	271,977	276,746	289,195	296,190	306,738	336,723
Motor vehicle excise taxes	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689	17,104
Other taxes and in-lieu payments	4,440	4,413	4,804	4,777	5,083	5,270	5,818	6,112	6,188	5,211
Penalties and interest on taxes	2,872	2,532	2,440	2,107	2,530	2,316	2,049	2,329	2,260	2,827
Licenses and permits	5,210	4,992	5,274	5,795	6,388	6,713	6,944	6,736	7,443	6,396
Intergovernmental (1)	321,719	332,726	342,950	278,742	291,662	297,397	301,850	312,312	335,006	333,646
Charges for services	5,814	5,746	5,683	5,566	5,800	5,866	5,932	7,277	6,692	8,292
Fines and forfeitures	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900	1,816
Investment earnings	100	318	484	554	1,005	1,097	1,570	4,046	2,516	653
Energy sales and rebates	-	-	-	-	-	-	1,718	1,891	2,121	2,075
Miscellaneous	1,318	1,112	1,246	1,727	1,368	2,998	2,699	3,017	2,293	120
Totals	\$ <u>581,707</u>	<u>600,604</u>	<u>626,055</u>	<u>573,282</u>	<u>603,743</u>	<u>616,836</u>	<u>636,415</u>	<u>658,929</u>	<u>688,846</u>	<u>714,863</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						
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
2021	12,150,549	2,791,673	882,535	15,824,757	20.91	15,426,121	102.58	5,888,146	21,712,903	27.12

(1) Per \$1,000 of assessed value

Table 10

CITY OF WORCESTER, MASSACHUSETTS

Direct Property Tax Rates (1) (2)

Last Ten Fiscal Years

Fiscal Year		Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
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
2021		16.28	36.20	36.20	20.91

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

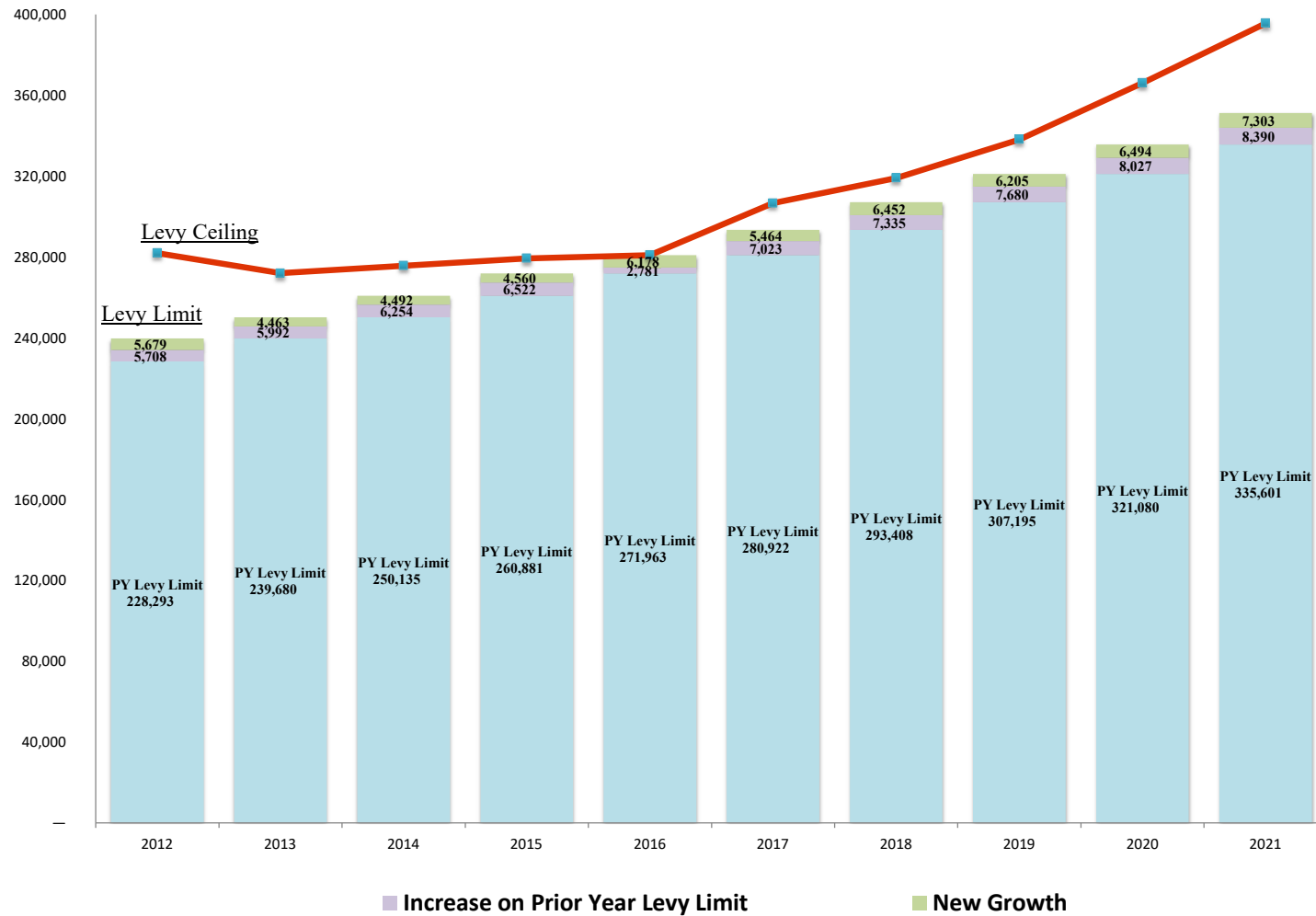
Last Ten Fiscal Years

(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
2012	\$ 223,443	220,352	98.62	\$ 3,091	223,443	100.00%
2013	235,973	230,540	97.70	4,485	235,025	99.60
2014	246,692	241,606	97.94	3,915	245,521	99.53
2015	257,282	252,256	98.05	5,026	257,282	100.00
2016	271,646	267,287	98.40	4,055	271,342	99.89
2017	278,766	273,712	98.19	4,434	278,146	99.78
2018	290,417	284,772	98.06	5,330	290,102	99.89
2019	300,826	294,321	97.84	3,766	298,087	99.09
2020	313,346	304,593	97.21	5,747	310,340	99.04
2021	329,240	323,114	98.14	-	323,114	98.14

Increase in the Levy Limit

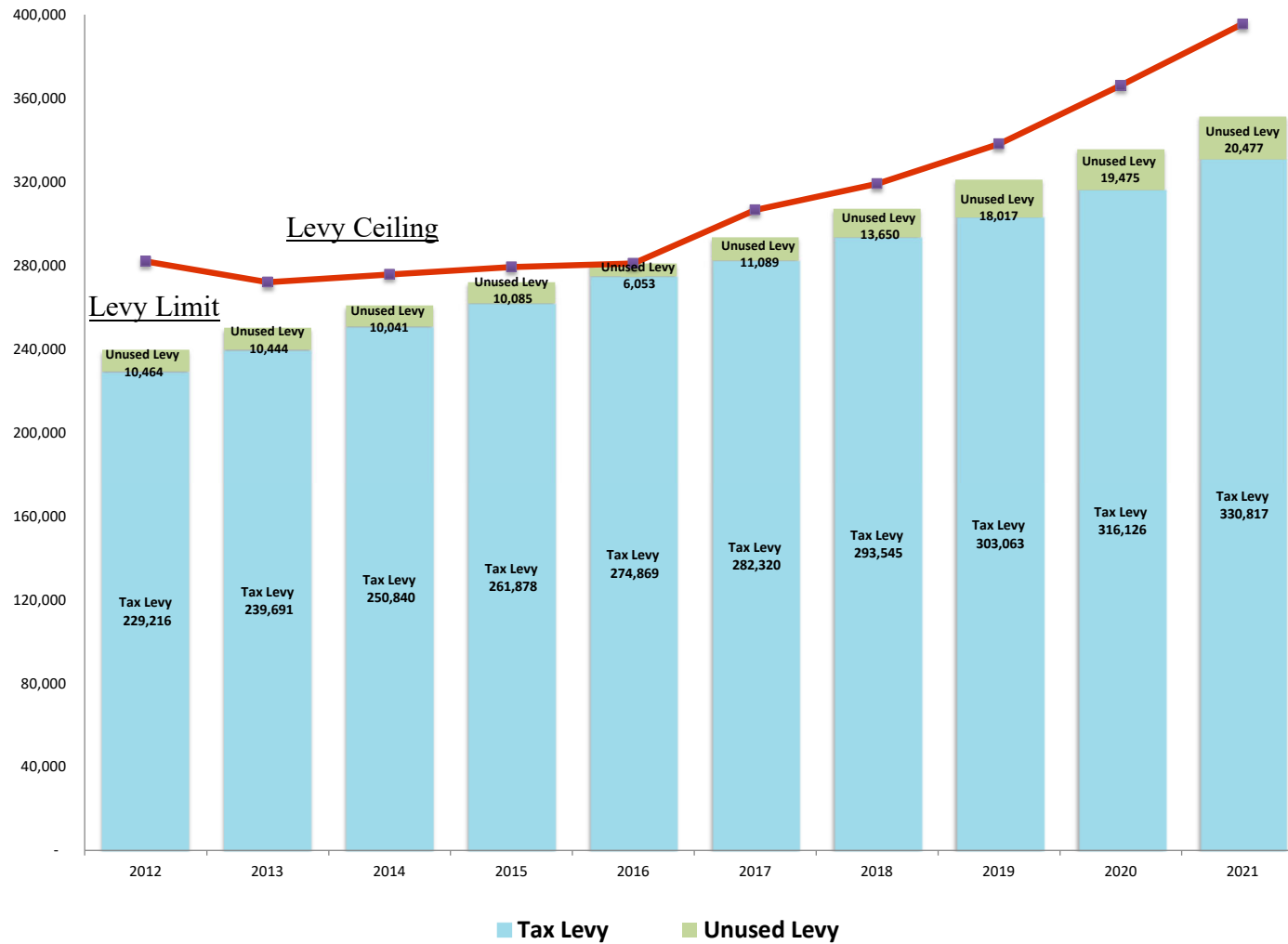
Last Ten Fiscal Years
(amounts expressed in *thousands*)



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, 2021

(amounts expressed in *thousands*)

Taxpayer	Type of business	2021				2012			
		Assessed valuation	Rank	Fiscal 2021 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2012 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 392,169	1	14,197	4.3 %	\$ 159,751	1	4,644	2.0 %
NSTAR Gas Co.	Gas utility	215,464	2	7,801	2.4	64,297	3	1,869	0.8
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	144,988	3	5,249	1.6	115,461	2	3,356	1.5
V3B SA LLC (Lincoln Plaza)	Shopping plaza	65,361	4	2,366	0.7	61,144	5	1,777	0.8
Hanover Insurance Group	Insurance	62,161	5	2,250	0.7	52,410	7	1,524	0.7
Worcester TC LLC (Abbvie)	Biotechnology park	60,533	6	2,191	0.7	42,479	8	1,235	0.5
New England Power Company	Electric utility	59,619	7	2,158	0.7	N/A	N/A	N/A	N/A
MC Roseland Worcester LLC	Real Estate	57,760	8	2,091	0.6	N/A	N/A	N/A	N/A
Front Street Associates LLC	Real Estate	45,836	9	1,659	0.5	N/A	N/A	N/A	N/A
Verizon New England	Communications	41,931	10	1,517	0.5	61,940	4	1,801	0.8
Worcester Renaissance LLC (CitySquare)	Real Estate	N/A	N/A	N/A	N/A	53,937	6	1,568	0.7
St. Gobain Abrasives Inc	Abrasives manufacturer	N/A	N/A	N/A	N/A	41,946	9	1,219	0.5
TGM Plantation Ridge LLC	Apartment complex	N/A	N/A	N/A	N/A	37,625	10	1,094	0.5
Totals		\$ <u>1,145,822</u>		\$ <u>41,479</u>	<u>12.7 %</u>	\$ <u>690,990</u>		\$ <u>20,087</u>	<u>8.8 %</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			
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
2021	632,566	1,538	12,435	189,197	4,190	839,926	14.59	4,067

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Amounts include deferred bond premiums less deferred charges on refunding

(2) See table 16

(3) Population data from U.S. Census Bureau (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)

Fiscal year	General Obligation Bonds (1)	Percentage of Assessed Value (2)	Total Per capita (3)
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
2021	821,763	5.19	3,979

Note: Details regarding the City's outstanding debt can be found in the notes to financial statements.

- (1) Amounts include deferred bond premiums less deferred charges on refunding
- (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*)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 596,415	608,682	608,682	580,797	580,797	611,883	611,883	666,823	666,823	771,306
Total net debt applicable to limit *	<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>	<u>511,199</u>
Legal debt margin	\$ <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>	<u>260,107</u>
Total net debt applicable to the limit as a percentage of debt limit	53.81%	55.96%	73.51%	74.14%	81.58%	68.24%	75.45%	70.75%	74.26%	66.28%

Legal Debt Margin Calculation for Fiscal Year 2020

Equalized valuation - real estate and personal property (January 1, 2020)	\$ 15,426,121	
Debt limit - 5% of equalized valuation		771,306
Total bonded debt (including authorized and unissued of \$822,666)	\$ 1,607,578	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(526,648)	
Less bonded debt authorized but not yet issued which is outside the debt limit	<u>(569,731)</u>	<u>511,199</u>
Legal debt margin		<u>\$ 260,107</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)	Public School Enrollment (6)	City's Unemployment Rate (7)
2012	180,519	(1)	24,544	(3)	4,430,658	24,360	8.8 %
2013	181,473	(1)	24,470	(3)	4,440,644	24,740	9.1
2014	181,901	(1)	24,330	(3)	4,425,651	24,562	7.6
2015	182,511	(1)	24,447	(3)	4,461,846	25,254	6.5
2016	183,382	(1)	24,555	(3)	4,502,945	25,076	5.0
2017	183,677	(1)	25,224	(3)	4,633,069	25,479	5.0
2018	184,743	(1)	26,283	(3)	4,855,600	25,306	4.9
2019	185,883	(1)	26,973	(3)	5,013,822	25,415	3.9
2020	185,428	(1)	27,884	(4)	5,170,474	25,044	17.4
2021	206,518	(2)	27,884	(4)	5,758,548	23,986	7.0

(1) Source: U.S. Census Bureau: American Community Survey (ACS) projected from 2010 U.S. Census.

(2) Source: U.S. Census Bureau - 2020 census

(3) Source: ACS *per capita income in past 12 months*(4) Source: ACS *per capita income in past 12 months 1 yr estimate in 2019 dollars*

(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

	<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>	<u>2021</u>
General government	175	181	194	189	195	193	197	201	202	200
Public safety										
Police										
Officers	418	426	441	427	441	461	447	461	449	459
Civilians	49	49	51	52	50	51	50	51	47	47
Fire										
Officers	413	393	407	386	391	404	403	409	410	392
Civilians	10	9	10	10	10	10	10	10	12	9
Other public safety	110	112	114	111	113	111	103	108	114	107
Health and human services	55	56	57	53	63	67	62	72	73	73
Education	3,456	3,499	3,552	3,565	3,637	3,667	3,727	3,863	3,988	4,007
Public works	158	168	171	172	169	173	172	164	167	159
Culture and recreation	115	122	130	135	134	141	140	142	139	133
Water	100	107	109	111	102	104	108	99	98	94
Sewer	50	51	53	51	47	52	52	54	54	54
Golf course (nonmajor)	2	2	2	2	2	2	2	2	2	2
Totals	<u>5,111</u>	<u>5,175</u>	<u>5,291</u>	<u>5,264</u>	<u>5,354</u>	<u>5,436</u>	<u>5,473</u>	<u>5,636</u>	<u>5,755</u>	<u>5,736</u>

Source: Payroll database as of June 30th of each respective fiscal year

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Employment and Wages

Last Ten Calendar Years

<u>Avg. Monthly Employment by Industry</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Construction	3,096	3,071	2,828	2,929	3,188	3,195	3,462	3,580	3,291	3,039
Manufacturing	6,673	6,616	6,392	5,953	5,820	5,720	5,541	5,396	5,393	4,812
Trade, transportation and utilities	12,244	12,297	12,206	12,471	12,588	12,685	12,534	12,066	11,799	11,068
Information	1,558	1,545	1,600	1,488	1,383	1,386	1,459	1,514	1,376	1,256
Financial activities	6,506	6,502	6,493	6,568	6,486	6,196	6,077	6,072	6,042	5,855
Professional and business services	8,771	8,416	8,661	8,747	9,178	10,110	10,546	11,291	11,639	9,875
Education and health services	43,329	44,588	47,307	47,840	48,197	48,770	49,554	50,013	51,309	49,287
Leisure and hospitality	7,047	7,307	7,331	7,516	7,559	7,814	8,041	8,254	8,305	6,066
Other services	4,299	4,532	3,120	2,819	2,987	3,022	2,972	3,043	3,178	2,498
Public administration	3,104	3,136	3,345	3,391	3,348	3,456	3,549	3,599	3,687	3,907
Total all industries	<u>96,627</u>	<u>98,010</u>	<u>99,283</u>	<u>99,722</u>	<u>100,734</u>	<u>102,354</u>	<u>103,735</u>	<u>104,828</u>	<u>106,019</u>	<u>97,663</u>
No. of establishments	5,070	5,082	5,082	5,837	6,294	6,645	6,818	7,195	7,160	7,393
Total annual wages (000)	\$4,933,873	\$5,064,337	\$5,200,251	\$5,257,212	\$5,488,056	\$5,623,839	\$5,770,049	\$5,922,539	\$6,158,341	\$6,237,776
Average weekly wages	\$982	\$994	\$1,007	\$1,014	\$1,048	\$1,057	\$1,070	\$1,086	\$1,117	\$1,228

Source: Mass.gov; Labor Market Information; Employment and Wages (ES-202)

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function

Last Ten Calendar Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Total arrests	7,174	6,785	7,385	8,124	6,254	5,964	6,084	5,358	4,903	2,686
Different individuals arrested	5,591	5,204	5,627	5,935	4,847	4,439	4,438	3,985	3,706	2,209
Arrests for selected charges										
Drug-related	705	719	850	762	655	769	799	683	607	272
Assault and battery	1,409	1,309	1,327	1,266	952	863	814	693	682	514
Disorderly conduct, disturbing peace	1,054	920	916	888	672	626	590	563	536	289
Prostitution and related	156	121	181	160	86	150	51	134	113	22
Sexual assault, including rape	20	28	28	23	22	32	25	34	23	21
Armed robbery	70	47	64	48	38	39	45	29	23	22
Murder/manslaughter, attempted murder	15	15	7	11	3	4	3	1	7	0
Fire (source: WFD)										
Total Incidents	27,782	28,348	28,333	30,099	31,933	33,373	33,162	33,485	31,815	29,185
Selected incidents										
EMS	19,654	20,472	20,307	21,707	22,779	24,408	24,117	22,767	21,897	19,748
Structure fires	728	845	779	799	828	829	855	968	889	850
Arson fires	30	43	29	18	19	19	16	21	13	14
Vehicle fires	123	102	82	78	91	94	71	93	75	68
Good intent	1,621	1,819	2,137	2,127	2,165	1,959	2,190	2,356	2,169	1,810
False alarm	3,177	2,871	3,017	3,070	3,214	3,287	3,148	3,627	3,499	3,209
Highways and streets (source (DPW))										
Streets and resurfacing	11	16	21	12	12	19	19	20	20	n/a
Potholes repaired	12,954	9,392	9,264	12,320	18,095	27,706	12,154	13,117	12,660	n/a
Sanitation										
Refuse collected (tons/day)	81.83	81.71	79.30	79.22	80.97	83.93	83.37	86.24	86.00	n/a
Recyclable collected (tons/day)	36.1	35.42	36.4	37.13	37.91	39.58	39.26	39.62	40.00	n/a
Water										
New connections	95	104	97	98	109	103	121	121	204	n/a
Water main breaks	74	29	55	42	80	48	42	37	38	n/a
Average daily consumption (thousands of gallons)	22,099	22,539	22,110	21,700	22,682	22,945	21,707	20,450	19,778	n/a
Wastewater										
Average daily sewage treatment (thousands of gallons)	26,550	33,000	25,200	22,300	25,060	25,145	24,109	23,310	24,600	n/a

Source: Various government departments.

n/a - not available

Table 20

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function

June 30, 2021

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

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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 ACFR). 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.

Actuarially Determined Contributions - The amount actuarially calculated each year that is required to be contributed by the City to the pension plan to ensure there will be enough funds to pay promised pension benefits over time. The contribution includes normal cost for the current year of service of active members and if the plan is not fully funded, interest and amortization of the unfunded actuarially accrued liability.

Annual Comprehensive Financial Report (ACFR) – The ACFR 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.

Basic Financial Statements – The Basic Financial Statements is a series of financial statements, required by GASB, grouped as Government-Wide Financial Statements (ACFR Exhibit 1 and 2) and Fund Financial Statements (Exhibits 3 through 11) and the related footnotes (ACFR pp 49 - 131). 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 ACFR on pages 134 through 141.

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,

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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 58, “accounting policies”. Details of changes in capital assets for the year by class are reported in footnote 11 beginning on page 97.

Certificate of Achievement for Excellence in Financial Reporting - The ACFR is submitted to the GFOA for review before December 31st, unless on extension. The GFOA will issue a certificate of achievement if reporting criteria are met. The certificate for the prior year ACFR is included in the current year ACFR and can be found on page 9. The certificate adds to the reliability of the financial statements when used by third parties.

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

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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 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.

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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 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 custodial 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. Revenues are recorded when earned and expenses are recognized when incurred.

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 30th. The financial statements reflect the results of operations over this twelve month period and report the assets and liabilities as of June 30th 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 141 of the ACFR. The undesignated amount is adjusted by the Commonwealth before it is certified as Free Cash for appropriation. Adjustments include grant receivables received after September 30th, 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 ACFR) 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

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of the fund balances in the Special Revenue Fund for grants and revolving accounts are 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 ACFR 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.

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.

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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 ACFR as meeting criteria for excellent reporting.

Government-Wide Financial Statements – This is the first series of financial statements in the Basic Financial Statements (ACFR 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 (ACFR'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 30 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 158. Separate accounting divisions are maintained within the Special Revenue, Capital Projects, Permanent Fund types whose names and descriptions are listed on page 155-156.

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 ACFR 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.*

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.

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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 (ACFR 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 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.

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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.

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

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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 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.