



The City of  
**WORCESTER**  
MASSACHUSETTS

Annual Comprehensive Financial Report  
For the Year Ended June 30, 2022



# The City of **WORCESTER** MASSACHUSETTS

## **Annual Comprehensive Financial Report**

For the Year Ended June 30, 2022

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, 2022

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Glossary of terms

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# **INTRODUCTORY SECTION**



December 27, 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, 2022 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, 2022 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, 2022. 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, MA, 62 miles northeast of Hartford, CT 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 205,918 according to the U.S. Census Bureau's population estimate as of July 1, 2021.

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 124 through 131 as part of required supplementary information.



## **Local economy**

According to the state's labor market information for calendar year 2021 Worcester has over 7,730 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 \$6.7 billion. Employment for calendar year 2021 was over 101,000 with health and education making up the largest percentage at approximately 49% of all employment followed by trade, transportation and utilities at 12% of the workforce, professional and business services 11%, leisure and hospitality 7%, 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 5,800 employees including teachers, professionals and support staff.

The U.S. Census Bureau reported that Worcester's median household income was \$51,647 and per capita income of \$22,945 in 2020 dollars based on 72,289 households compared to \$84,385 for the Commonwealth based on 2.6 million households and \$64,994 on a national level. According to the state's school district profiles, 74% of the 23,735 enrollment at Worcester Public Schools for the school year 2021-2022 are considered low income compared to the state average of 43%. In addition, the large numbers of college students residing in the city also have an effect by lowering the average income levels.

A recent study by Colliers International reported that as of June 30, 2022, a sample of 2.0 million square feet of office space in Worcester was 75% occupied compared to 83% in the prior year.

Unemployment rates decreased in fiscal 2022. The local unemployment rate was 4.6% at June 30, 2022 compared to 7.0% in the prior year. By comparison for the same periods the state's unemployment rate was 3.5% and 5.4%, respectively and the national average was 3.8% and 6.1%, respectively.

Worcester's total taxable assessed property value increased to \$17.9 billion in fiscal 2022 based on the legal assessment date of January 1, 2021. Values increased \$2.1 billion or 14.4% more than the previous year. Tax-exempt real property represented 26% of the total assessed values at \$6.3 billion and increased 7.7% from the year before.

## **Major Development Projects**

In 2022, Union Station, the railway station part of a multi-transit hub, built in 1911 purchased and rebuilt by the WRA in 2000, listed on the U.S. National Register of Places in Massachusetts, was undergoing design and construction of a second platform overseen by the Massachusetts Bay Transit Authority to improve railway traffic through the City with a double track operation. The platform will extend approximately 250 meters and provide better access with connections to lots including a new pedestrian bridge with a total estimated cost of \$45 million with an expected two-year project timeline. This will improve foot traffic for visitors attending the DCU Center, Polar Park, Canal District and downtown as well as to Boston. In 2022 the Worcester Food Hub, a community based food market signed a lease of space at Union Station through the WRA, after federally funded improvements.

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 2022 of the stadium was \$136 million and the cost to acquire land in an expanded redevelopment footprint totaled \$22 million including the cost to relocate prior occupants. One parcel of land was recently sold for \$3.0 million and the proceeds transferred to the City's related debt service fund. 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. Picket Plaza a former off street parking lot transformed into a public plaza adjacent to Polar Park and funded with state grants totaled \$3.5 million.

District improvement financing (DIF) will be used to pay the debt service on the ballpark bonds 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. The City established the Worcester Ballpark Commission to oversee Polar Park.

Private development within the ballpark district, incentivized by tax increment financing agreements, are expected to be completed by 2025 providing revenue sources to the ballpark DIF through incremental tax receipts. This includes the construction 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.

The Polar Park Garage was completed in 2022 by the WRA and a ninety-nine year lease with easement rights to a developer of a connected hotel is in the process of being finalized. The source of funding of the construction of the garage was the Commonwealth's Massworks grants and cost \$22 million. Upon execution of the lease, the tenant will pay the WRA landlord over the lease beginning with \$178 thousand per year for the first five years and then increase after that for the term. The tenant and WRA will also make contributions to a capital fund through parking surcharges. The City may also use the parking garage for advertising and retain any revenue derived. All costs to operate and provide repairs and maintenance are the responsibility of the developer tenant.

As part of the downtown urban development project the WRA acquired a downtown building for purposes of redeveloping the site. Loan authorizations totaling \$6.8 million were approved in fiscal 2022 with \$3.1 million of debt issued to acquire the property. The City acquired properties from Becker College after the college announced it was closing. The cost to acquire the properties was \$4.5 million which will be redeveloped and used by the City.

The construction of the 360,000 square foot replacement building of South High School was completed and the building placed into service for school year 2021-2022. The cumulative costs to replace the building and furnishings was \$186 million through fiscal 2022. Cumulative funding through the Massachusetts School Building Authority (MSBA) totaled \$100.5 million with approximately \$14.4 million remaining due upon the close-out of the project. Construction began in fiscal 2022 for the replacement of the Doherty High School with a new 422,000 square foot building with an estimated replacement cost of \$316 million which will be partially funded by a state grant from the MSBA totaling \$186 million.

A bio-manufacturing company continued construction on a new facility at the site of a former state hospital. The updated site plan of the building is 200,000 square feet with an estimated cost of \$300 million. A tax incentive plan is currently approved on the original planned cost of \$60 million that will provide exemptions of 70% to 20% over a 20-year period ending in 2042. The company expects to create 150 new jobs including offering first-time home buyer incentives of up to \$5,000 to encourage employees to reside in the City.

A second hotel in Washington Square is planned and the pre-construction design includes 105 rooms on six stories totaling 74,000 square feet and a parking garage at entry level for 30 cars. The project is expected to cost \$21 million and create 35 full-time jobs. The city incentivized the developer with a tax incentive financing plan providing average exemptions of 30% over ten years ending in 2032.

The site of the former Greendale mall was recently acquired and redeveloped into an Amazon distribution facility with 120,000 square feet which will provide approximately 200 employment opportunities.

One of two residential apartment buildings in the baseball district planned by a developer was underway in 2022 with an estimated cost of \$89 million and the development of 228 market-rate units. Other projects in the preconstruction stage include the redevelopment of a former manufacturing site located in the baseball district into 83 affordable residential units with an estimated cost of \$42 million, the reuse and historic preservation of the Commerce Building into 312 market-rate units with an estimated investment of \$55 million, the redevelopment into 371 market-rate units including a garage on the site of a former church with an estimated investment of \$106 million converting formerly tax-exempt property into taxable property with estimated taxes of \$1 million per year.

One active 15-year TIF agreement expiring in 2028 for the construction of a 213,000 sq ft office building in the CitySquare redevelopment area where the company committed to retaining 682 full-time jobs and creating 50 new jobs had reported in fiscal 2022 jobs retained of 357 jobs as the company had shifted its workforce to remote while subleasing space. The EOD is currently working with the company on a potential TIF amendment for the City's consideration.

The former Worcester County Courthouse was recently acquired and redeveloped into 117 mixed-income housing and ancillary retail space at an estimated cost of \$60 million.

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

Each of the three bond rating agencies reaffirmed the City's strong high investment grade ratings in fiscal 2022 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 and a new fire station, and sets a borrowing cap 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. The financial plan includes the appropriation of free cash towards the general stabilization fund and the OPEB trust.

As of June 30, 2022 the City's balance in its unassigned general fund reserves totaled \$82 million and was 10.9% of general fund revenues. During 2022 the City continued to make contributions to finance the new high school construction stabilization fund with transfers totaling \$4.6 million resulting in a cumulative balance of \$18.2 million before payments of related debt service that totaled \$3.1 million leaving a balance in the fund of \$15.1 million at June 30, 2022. Debt service supported by the general fund excluding pension obligation bonds was 9.1% of the budget.

General fund revenue sources to the City during fiscal 2022 included 45.3% from the property tax levy, 8.0% 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 \$20.6 million in untaxed levy capacity at the end of fiscal 2022 compared to \$20.5 million for fiscal 2021. Total combined reserves in the unassigned general fund and the debt service fund increased \$24.6 million to \$124.5 million or 16.2% 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 \$3.6 million of designated hotel and meals taxes in fiscal 2022 and paid \$3.2 million in debt service. The CitySquare DIF received \$4.1 million from related TIFs for the year ended June 30, 2022 and paid debt service of \$4.1 million for fiscal 2022. Revenue from activities related to baseball district improvement financing totaled \$3.2 million including the receipt by the city through the WRA of sales proceeds on land acquired in the project area sold to a developer for mixed-use property redevelopment while debt service on ballpark debt totaled \$914 thousand for fiscal 2022. For fiscal 2022 there were eighteen TIF/TIE plans that

received tax exemptions. For the year ended June 30, 2022, the city received \$3.9 million in real estate taxes and provided \$4.6 million in exemptions.

The City has invested over \$103 million in energy improvement programs between 2011 and 2022 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 \$1.6 million to the general fund. Net metering credits from the electricity generated from solar panels that offset electricity charges totaled \$2.5 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 \$290 million and is being amortized over the next twelve years with annual actuarially determined contributions increasing 3.5% with the contribution in year 2034 decreasing by 58% before decreasing to a contribution equal to employer normal cost. Outstanding pension obligation bonds issued in 1998 had a balance outstanding on June 30, 2022 of \$81 million with full amortization over the next six fiscal years. The actuarially determined net OPEB liability was \$1.2 billion which was based on an actuarial valuation dated July 1, 2020 that was rolled forward to the measurement date of June 30, 2022. The City continued during fiscal 2022 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 \$30.9 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, 2021. 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, 2022

### CITY COUNCIL

#### MAYOR

---

Joseph M. Petty

#### COUNCILORS-AT-LARGE

---

Morris A. Bergman  
Donna M. Colorio  
Khrystian E. King  
Thu Nguyen  
Kathleen M. Toomey

#### DISTRICT COUNCILORS

---

Sean M. Rose  
Candy F. Mero-Carlson  
Etel Haxhij  
Sarai Rivera  
George J. Russell

### SCHOOL COMMITTEE

#### EX-OFFICIO CHAIRPERSON

---

Joseph M. Petty

#### COMMITTEE MEMBERS

---

Laura B. Clancey  
Jermaine Johnson  
Jermoh Kamara

#### COMMITTEE MEMBERS

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Susan Mailman  
Molly O. McCullough  
Tracy O'Connell Novick

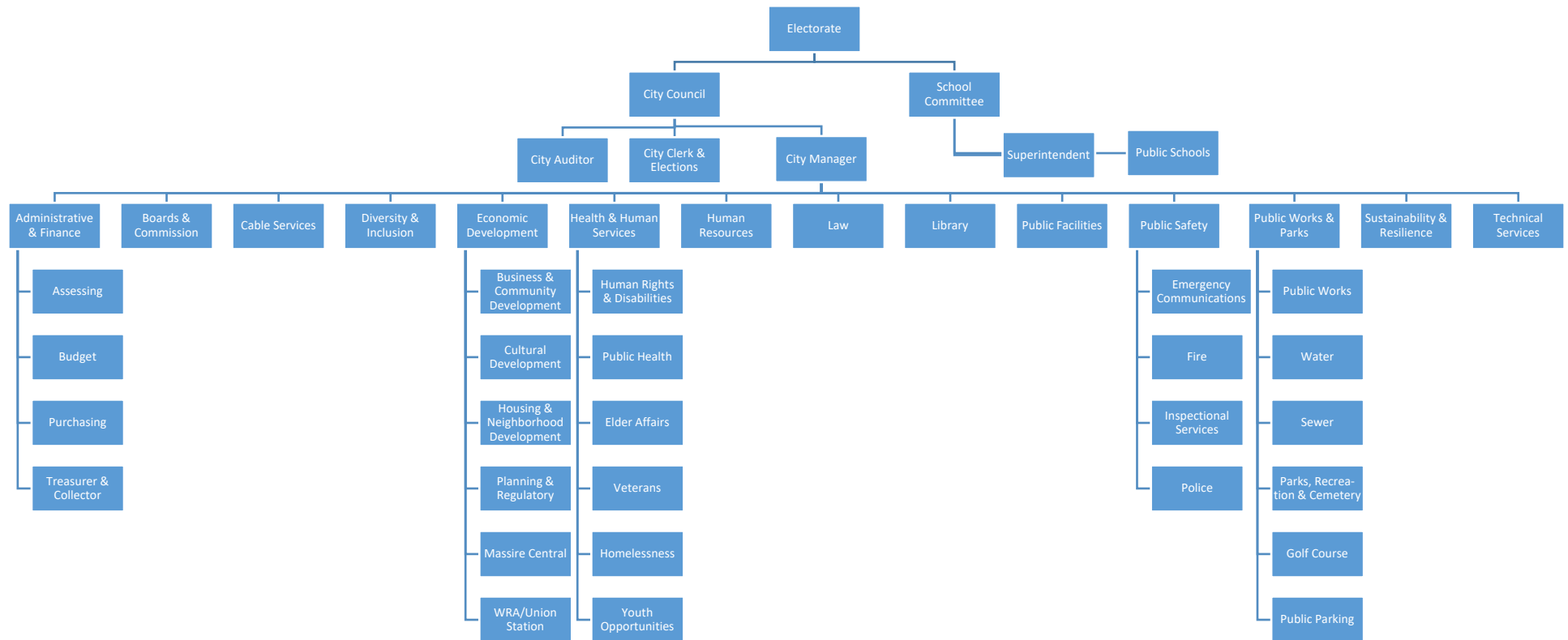
## APPOINTED OFFICIALS

ACTING CITY MANAGER*	Eric D. Batista
ASSISTANT CITY MANAGER	Nicole Valentine
ASSISTANT CITY MANAGER	Hung Nguyen
HEALTH & HUMAN SERVICES COMMISSIONER	Dr. Matilde Castiel, MD
ACTING FIRE CHIEF	Martin Dyer
INSPECTIONAL SERVICES COMMISSIONER	Christopher P. Spencer
CITY SOLICITOR	Michael E. Traynor
COMMISSIONER OF DPW&P	Jay J. Fink
CHIEF OF POLICE	Steven M. Sargent
EMERGENCY COMMUNICATIONS ACTING DIR.	Charles R. Goodwin
CHIEF DEVELOPMENT OFFICER	Peter Dunn
CHIEF FINANCIAL OFFICER	Timothy J. McGourthy
SUPERINTENDENT OF SCHOOLS	Dr. Rachel Monárrez
CHIEF FIN. & OPERATIONS OFFICER W.P.S.	Brian E. Allen
BUDGET DIRECTOR, W.P.S.	Sara Consalvo
DIRECTOR OF PUBLIC LIBRARY	Jason L. Homer
EXECUTIVE DIRECTOR, RETIREMENT	Lisa Poske
CITY CLERK*	Nikolin Vangjeli
CITY AUDITOR*	Robert V. Stearns
DIRECTOR OF ACCOUNTS, AUDITING	Kimberly J. Laino
DIRECTOR OF TECHNICAL SERVICES	Michael P. Hamel
ACTING TREASURER & COLLECTOR	Timothy J. McGourthy
ASSISTANT TREASURER	Geralyn M. Walsh
BUDGET DIRECTOR	Erin E. Taylor
CITY ASSESSOR	Samuel E. Konieczny
PURCHASING AGENT	Christopher J. Gagliastro
CHIEF SUSTAINABILITY OFFICER	John W. Odell
CHIEF OF PUBLIC FACILITIES	Julie A. Lynch

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

# City of Worcester Organizational Chart

As of June 30, 2022





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, 2021

*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 Audit of the Financial Statements

#### ***Opinions***

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 (the City), as of and for the year ended June 30, 2022 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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, 2022 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2021), 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.

We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), which represents 83.4%, 73.7% and 96.3%, 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 of the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the District were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, effective July 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions were not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison, and certain pension and other postemployment benefits information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

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

procedures to the required supplementary information in accordance with GAAS, 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.

***Supplementary 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 supplemental statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplemental statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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 City's internal control over financial reporting and compliance



**CliftonLarsonAllen LLP**

Boston, MA  
December 27, 2022

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(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, 2022 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 2022 by \$852,230.
- The City's total net position increased by \$38,053 or 4.3% during the year.
- The City's net pension liability \$290,089 plus deferred inflows net of deferred outflows related to pensions \$142,203 decreased over the previous fiscal year balances by \$29,750.
- The City's net OPEB liability \$1,225,410 less deferred outflows net of deferred inflows related to OPEB \$12,158 increased over the previous fiscal year by \$90,772.
- The City's total capital assets (net) increased by \$101,944 or 7.0% during fiscal 2022.
- The City's right of use totaled \$22,285, a decrease over the restated prior year balance by \$2,844 due to amortization.
- The City's lease receivable totaled \$62,159 and its related deferred inflows of resources totaled \$57,433.
- The City's total long-term and short-term debt totaled \$1,008,623, a decrease of \$3,567 or -0.4% during fiscal 2022. Long term debt totaled \$961,213 and increased \$132,961 and temporary notes payable totaled \$47,410 and decreased \$136,528.

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

- The City's general fund balance increased \$12,230 or 17.4% during the year to \$82,472.
- At the end of fiscal 2022, the unassigned portion of the general fund was \$82,472 or 10.9% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2022 was \$20,525. This amount is unassigned in the general fund and available for appropriation in fiscal 2023.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2022

(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 2022. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2022

(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 (non-major) operations are included here.
- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

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

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

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

Because the focus of governmental funds is short-term and government-wide are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, the school construction fund, and the city grants fund which are considered major funds and can be found on pages 40 and 42. Data from the 28 other governmental funds are combined into a single aggregated presentation titled "other governmental funds" and the list of these non-major governmental funds is provided on pages 145 through 148 and the combining balance sheet and statement of revenue and expenditures are provided on pages 149 through 160.

The City adopts an annual budget for its general fund which is included in the required supplementary information shown on pages 124 through 131. The City also adopts annual budgets for each of its enterprise funds shown in the supplementary schedules on pages 161 through 163.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2022

(In thousands of dollars)

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

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

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

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan and other postemployment benefit (OPEB) plan. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the 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 47 through 48.

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

The notes to the basic financial statements can be found on pages 49 through 123.

**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 124 through 144.

**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 145 through 168) and statistical section (pages 169 through 197). A glossary begins on page 198.

### 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, 2022

(In thousands of dollars)

case, liabilities and deferred inflows exceeded assets and deferred outflows by \$852,230 at the close of the most recent fiscal year and are summarized as follows:

### Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021 *	2022	2021	2022	2021 *
Current and other assets	\$ 514,080	456,153	63,599	65,579	577,679	521,732
Lease receivable	62,918	60,445	-	-	62,918	60,445
Right of use assets	22,285	25,130	-	-	22,285	25,130
Capital assets	1,309,816	1,205,080	255,966	258,758	1,565,782	1,463,838
Total assets	1,909,099	1,746,808	319,565	324,337	2,228,664	2,071,145
Deferred outflows of resources	323,984	416,911	9,187	13,502	333,171	430,413
Long-term liabilities	2,313,011	2,584,354	243,258	252,861	2,556,269	2,837,215
Other liabilities	285,328	352,430	21,350	28,066	306,678	380,496
Total liabilities	2,598,339	2,936,784	264,608	280,927	2,862,947	3,217,711
Deferred inflows of resources	529,684	163,854	21,434	10,276	551,118	174,130
Net position:						
Net investment in capital assets	667,815	545,131	80,770	71,513	748,585	616,644
Restricted	74,153	72,424	-	-	74,153	72,424
Unrestricted	(1,636,908)	(1,554,474)	(38,060)	(24,877)	(1,674,968)	(1,579,351)
Total net position	\$ (894,940)	(936,919)	42,710	46,636	(852,230)	(890,283)

\* 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 (\$1,674,968). However, this balance includes outstanding pension obligation bonds of \$81,180 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 \$237 and \$241, respectively, at year end. Additionally, the City has a note payable of \$1,441 for improvement to neighborhood assets it does not own and also owes \$304 for the 2008 Blackstone Valley Visitors Center which was destroyed by fire. Also on this list is \$19 debt for the airport which is no longer owned by the City. Absent the aforementioned debt there is a balance of (\$1,591,546) of unrestricted net position.

At the end of fiscal 2022, the City is able to report positive balances in water and sewer net positions for business-type activities and all but unrestricted net position in the governmental activities.

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(In thousands of dollars)

The long-term liabilities decreased \$280,946 or 9.9% because of a decrease of \$282,704 in the net OPEB liability primarily as a result of an increase in the discount rate, a decrease of \$132,806 in the net pension liability primarily as a result of investment gains through December 31, 2021, and a net increase in other long-term liabilities of \$1,603. This was partially offset by a \$132,961 or 16.1% increase in long term debt as a result of new and ongoing capital projects.

Governmental activities had a net decrease in other liabilities of \$67,102 or 19.0% as temporary notes payable decreased \$123,341 and other current liabilities decreased \$5,586 while there was an increase of \$61,825 in unearned revenue due to the advancement of federal grants. Business-type activities had a decrease in other liabilities of \$6,716 or 23.9% due to the decrease in temporary notes payable by \$13,187.

Governmental activities capital assets net of depreciation increased by \$104,736 or 8.7% during fiscal 2022; additions to fixed assets totaled \$176,705 and depreciation totaled \$71,969. The largest acquisitions of capital assets during fiscal 2022 included continued construction costs and furnishings of the new South High School \$30,255; construction of new Doherty High School \$63,522; construction of other school building projects \$4,864; continued construction of the baseball stadium \$7,026; continued construction of the new parking garage in the baseball district \$9,377; continued work on Picket Plaza \$2,408; acquisition of Becker College properties \$4,500; street and sidewalks \$17,875, parks improvements \$8,347, building energy improvements \$9,712, continued construction on the Senior Center \$1,749; continued construction on the public library \$997; parking equipment and garage improvements \$1,815; DCU improvements and equipment \$2,082; school buses, radios and lifts \$1,421; police body cameras through lease purchase financing \$3,790; new fire truck and accessories \$877; technology equipment \$1,224; and other capital additions totaling \$4,864.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2022

(In thousands of dollars)

The City's total net position increased by \$38,053 or 4.3%, summarized as follows:

### Statements of Activities

	Governmental activities		Business-type activities		Total	
	2022	2021 *	2022	2021	2022	2021 *
Revenues:						
Program revenues:						
Charges for services	\$ 56,506	41,401	80,616	81,955	137,122	123,356
Operating grants and contributions	481,191	478,498	-	-	481,191	478,498
Capital grants and contributions	77,263	55,153	2	1	77,265	55,154
General revenues:						
Property taxes	344,187	334,059	-	-	344,187	334,059
Motor vehicle excise taxes	16,928	16,929	-	-	16,928	16,929
Intergovernmental	46,470	44,931	-	-	46,470	44,931
Other	30,838	25,558	-	-	30,838	25,558
Total revenues	<u>1,053,383</u>	<u>996,529</u>	<u>80,618</u>	<u>81,956</u>	<u>1,134,001</u>	<u>1,078,485</u>
Expenses:						
General government	60,921	46,313	-	-	60,921	46,313
Public safety	196,585	177,062	-	-	196,585	177,062
Health and human services	15,902	25,088	-	-	15,902	25,088
Education	613,133	625,136	-	-	613,133	625,136
Public works	52,550	69,918	-	-	52,550	69,918
Culture and recreation	36,090	42,223	-	-	36,090	42,223
Community development	15,965	6,943	-	-	15,965	6,943
Interest on debt	20,173	20,293	-	-	20,173	20,293
Water	-	-	30,577	33,658	30,577	33,658
Sewer	-	-	52,391	53,430	52,391	53,430
Golf course	-	-	1,753	1,618	1,753	1,618
Total expenses	<u>1,011,319</u>	<u>1,012,976</u>	<u>84,721</u>	<u>88,706</u>	<u>1,096,040</u>	<u>1,101,682</u>
Change in net position before transfers and contributions	42,064	(16,447)	(4,103)	(6,750)	37,961	(23,197)
Transfers	(177)	925	177	(925)	-	-
Contributions	<u>92</u>	<u>123</u>	<u>-</u>	<u>-</u>	<u>92</u>	<u>123</u>
Change in net position	41,979	(15,399)	(3,926)	(7,675)	38,053	(23,074)
Net position – beginning	(936,919)	(921,520)	46,636	54,311	(890,283)	(867,209)
Net position – ending	<u>\$ (894,940)</u>	<u>(936,919)</u>	<u>42,710</u>	<u>46,636</u>	<u>(852,230)</u>	<u>(890,283)</u>

\* As restated

**Governmental activities** – Governmental activities as shown in the statement of activities increased the City's net position by \$41,979 for the year ended June 30, 2022 compared to a decrease of \$15,399 for the previous fiscal year as restated. The increase in net position in governmental activities is explained by the following changes in revenue and expenses.

Total governmental activities program and general revenues were \$1,053,383 and increased \$56,854 or 5.7% over the previous fiscal year.

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(In thousands of dollars)

#### **Governmental Activities Program Revenues**

Charges for services totaled \$56,506 and represented 5.4% of total governmental activity revenues and increased \$15,105 from the previous fiscal year. The largest source of charges for services by function is from public safety which totaled \$25,759 and represented 47.4% of the total. Public safety services include police detail \$12,595 and building permits \$6,188. The largest increases from the previous fiscal year for public safety were building permits which increased \$1,139 and marijuana host agreement fees which increased \$1,175. Educational charges for services increased \$993 due to school activities that increased post-pandemic. Parking revenue increased \$4,544 with an increase in receipts during the fiscal year of \$2,677 due to increased activities post-pandemic as well as a transfer from the City's American Rescue Plan (ARP) federal award fund for loss of parking revenue that occurred during the pandemic and totaled \$1,867. The revenue for DCU operating funds increased \$3,521 due to the receipt of facility fees of \$181 for activity that occurred in the fiscal year, the transfer of ARP funds for revenue loss during the pandemic of \$2,340, and the effects in the current year of the adjustment in fiscal 2021 related to the deferral of revenue in the amount of \$1,000. Lease revenue realized from the ballpark lease increased \$2,127. All other sources of charges for services increased \$1,606 in the aggregate over the previous fiscal year.

Operating grants and contributions revenue totaled \$481,191 representing 45.7% of total governmental activity revenues and increased \$2,693 or 0.6% over the previous fiscal year. The largest portion of operating grants is for educational purposes totaling \$430,085 or 89.4% of the total and decreased \$5,529 or 1.3% over the previous fiscal year. The largest source of decrease in educational operating grants was the state on-behalf of payments for teachers' pension expense a noncash in-kind revenue and expense that totaled \$46,586 and decreased 50.7% or \$47,976 over the previous fiscal year. State aid for Worcester public schools under M.G.L. Chapter 70 totaled \$295,927 an increase of \$15,973 or 5.7% over the previous fiscal year due to an 8% increase in the per pupil rate and partially offset by a decrease in paid enrollment of 3%. State and federal educational grants totaled \$64,343, an increase of \$12,272 primarily as a result of an increase in Covid-19 educational related grants that totaled \$26,218 an increase of \$12,061. The school department also received ARP funds that were recorded to unearned revenue that totaled \$7,666 that will be available and spent in future years. School nutrition grant revenue increased \$11,498 or 191% due to post pandemic in-person learning. General government operating grants received in fiscal 2022 totaled \$20,475 an increase of \$3,083 over the previous fiscal year primarily due to a net increase in federal COVID related awards that increased \$3,471. Other operating grant revenue for community development, culture and recreation, public safety, public works and health and human services totaled \$30,631, an increase of \$5,139 or 20.2% from the previous fiscal year due in part for community development related grants that increased \$2,975 as there was an increase in grants for emergency shelters \$1,226, community development block grants \$636, and other grants \$1,113. Job training grants increased \$1,518 and public safety grants increased \$998.

Capital grants totaled \$77,263 and represented 7.3% of total governmental activity revenues increasing \$22,110 or 40.1% over the previous fiscal year primarily due to an increase in grant revenue for school contraction projects which increased \$21,397.

#### **Governmental Activities General Revenues**

Property tax revenue totaled \$344,187 and represented 32.7% of total governmental activity revenues and increased \$10,128 or 3.0% primarily because of additional commitments for tax increases and tax on new growth. The increase over previous fiscal year tax commitments totaled \$6,853 or 2.1% and taxes on new growth including amendments to fiscal 2021 new growth totaled \$8,961 or 2.7%.

## **CITY OF WORCESTER, MASSACHUSETTS**

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

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(In thousands of dollars)

Other general revenues totaled \$94,236 and represented 8.9% of total governmental activity revenues and increased \$6,818 or 7.8% over the previous fiscal year primarily because of an increase in miscellaneous revenue which totaled \$13,674 and increased \$12,798 over the previous fiscal year and was partially offset by a decrease in investment earnings that had a net loss of \$187 for the year and decreased \$6,743 over the previous fiscal year. Miscellaneous revenue includes revenue transferred from ARP funds for general revenue recovery that totaled \$7,096 and revenue received in the stabilization fund for the ballpark district improvement fund that increased \$3,167 primarily as a result of a land sale on property acquired in the ballpark district \$3,000. Prior year reversions totaled \$3,070 an increase of \$1,097 over the previous fiscal year.

### **Governmental Activities Expenses**

Expenses of governmental activities totaled \$1,011,319, a decrease over the previous fiscal year by \$1,657. General government expenses increased 31.5%, public safety increased 11.0%, health and human services expenses decreased 36.6%, education expenses decreased 1.9%, public works expenses decreased 24.8%, culture and recreation expenses decreased 14.5%, community development expenses increased 130%, and interest expense decreased 0.6% from the previous fiscal year.

General government includes the activities of seventeen departments including legislative, administrative, economic development, public facilities, environmental, finance and technology. General government expenses totaled \$60,921 representing 6.0% of total governmental activities and increased \$14,608 or 31.5% over the previous fiscal year. There were 198 employees in general government at year end compared to a total of 200 as of the previous fiscal year end. Salaries and overtime increased \$269 or 2.1% primarily because of scheduled step increases and a 2% cost of living increase on some groups. A reorganization created two new departments in fiscal 2022 from the former Energy Asset Management department into new departments of Public Facilities and Sustainability & Resilience. Ordinary maintenance for general government activities increased \$2,000 or 25.1% primarily due to increased costs of building maintenance \$628, environmental service contract \$224, diversity and inclusion contractual services that increased \$345, assessing contractual services that increased \$151, law \$185, and technical services that increased \$302 for noncapital expenses. OPEB expense decreased \$2,001 and pension expense decreased \$1,084 due to updates to actuarial valuations. Depreciation expense increased \$1,232 for additions of capital assets. Judgements and claims decreased \$1,272. City grant expenses related to general governmental excluding capital outlays increased \$15,684 over the previous fiscal year primarily because of noncapital grant expenditures from ARP funding totaling \$19,158 offset by decreases in other COVID-19 grants from the previous fiscal year. ARP noncapital grant expenses included allocations for revenue loss \$11,290, technical services expenditures \$3,837, premium pay related to essential front-line workers during the pandemic \$2,422, expenditures related to the DCU Center \$1,277 and other \$332.

Public safety expenses included police, fire, inspection, and emergency communications and totaled \$196,585 and represented 19.4% of the total governmental activities increasing \$19,523 or 11.0% from the previous fiscal year. There were 1,009 employees at the end of the year compared to 1,014 as of the previous fiscal year end. Salaries and overtime costs for public safety increased \$9,832 or 9.3% from the previous fiscal year as collectively bargained agreements were settled with multiple years of cost-of-living increases were provided in fiscal 2022 for most of public safety personnel. OPEB expense for public safety increased \$12,289 after an updated actuarial valuation and primarily because of a change in the projected covered payroll. Pension expense decreased \$6,530 after updates to actuarial valuations. Other fringe benefits increased \$1,377 or 6.6%. Grants and expenses from non-major funds increased \$1,474.

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Health and human services expenses totaled \$15,902 or 1.6% of total governmental activities decreasing \$9,186 or 36.6% from the previous fiscal year. There were 72 employees at the end of the year compared to 73 as of the previous fiscal year end. Salaries increased \$372 or 18.9% due to added positions, regraded positions, scheduled step increases and a 2% cost of living increase on some groups of employees. OPEB expense for health and human services decreased \$11,509 while pension expense decreased \$313 after updates to actuarial valuations.

Education expenses include basic education for grades K - 12 as well as pre-K, nutrition and grant supplemental expenses. Education expenses totaled \$613,133 and represented 60.6% of total governmental activity expenses decreasing \$12,003 or 1.9% over the previous fiscal year. There were 4,100 full-time permanent employees at the end of the year compared to 4,007 as of the previous fiscal year end. General operating salaries increased \$5,443 or 2.2% primarily because of a 2% cost of living increase to all groups and scheduled step increases. Ordinary maintenance increased \$10,173 or 20.1% primarily because of an increase of \$7,923 in contracted transportation expenses and \$2,250 in other educational expenses. State assessments for charter schools and school choice increased \$2,737 or 8.7%. OPEB expense for education decreased \$2,201 while pension expense for the city plan decreased \$3,718 and the on-behalf of payments for the state teacher's retirement system decreased \$47,976 after an update to actuarial valuations. School nutrition expenses increased \$6,935 or 108% due to an increase in post-pandemic activities. Noncapital school grant expenses increased \$14,547 or 28.7% due to Covid related grants. Depreciation expense increased \$4,576 primarily because of a new school building placed in service.

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 \$52,550 representing 5.2% of total governmental activities and decreased \$17,368 or 24.8% from the previous fiscal year. There were 152 employees at the end of the year compared to 159 as of the previous fiscal year end. Salaries and wages decreased \$220 or 3.7% from the previous fiscal 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. Ordinary maintenance increased \$727. Fringe benefits increased \$1,289. OPEB expense for public works decreased \$13,346 while pension expense decreased \$482 after updates to actuarial valuations. Depreciation expense decreased \$5,337 after reclassifying property to other functional areas.

Culture and recreation expenses include activities of park and library departments and totaled \$36,090 or 3.6% of total governmental activities decreasing \$6,133 or 14.5% over the previous fiscal year. There were 143 employees in parks and library at the end of the year compared to 133 as of the previous fiscal 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 increased \$702 or 8.7%. Ordinary maintenance increased \$415 or 10.2%. City grant expenditures decreased \$459. Expenditures for the DCU Center operations decreased \$1,891 primarily as a result of a decrease in the required financial support provided by the City which totaled \$1,610 in the previous fiscal year while no support was required for the current year. OPEB expense decreased \$7,857 while pension expense decreased \$602 after updates to actuarial valuations. Depreciation expense increased \$4,637 after reclassification of the baseball stadium asset from general government.

Community development expenses totaled \$15,965 or 1.6% of governmental activities and increased \$9,022 or 130%. Community development block grant expenditures and other city grants increased \$4,313 over the previous fiscal year. Depreciation expense increased \$4,709 due to the in service of the new garage at the ballpark improvement district and leased to the private developer.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

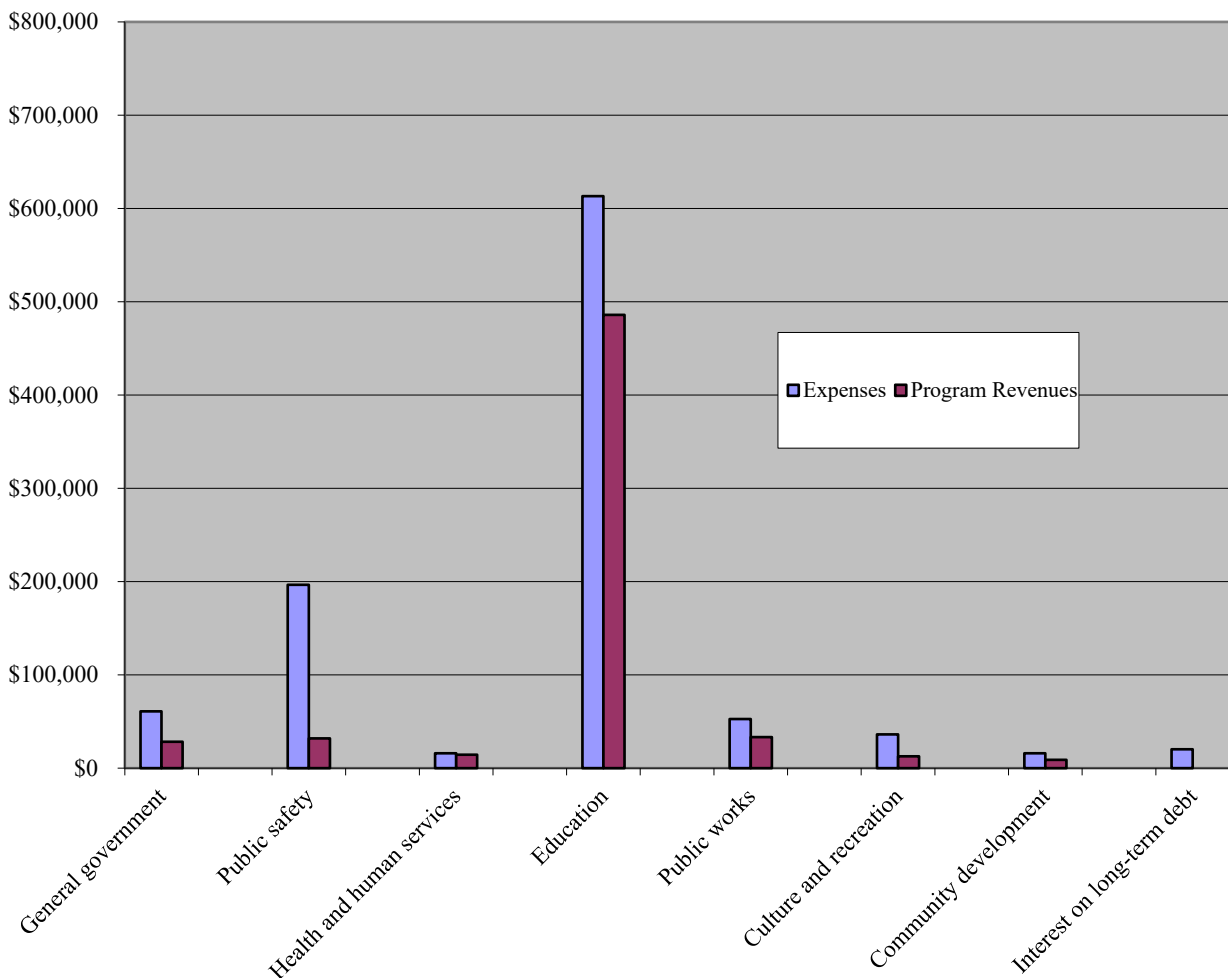
June 30, 2022

(In thousands of dollars)

Interest expense on debt totaled \$20,173 or 2.0% of total governmental activities expenses and decreased \$120 from the restated prior year amount.

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 2022 Expenses and Program Revenues– Governmental Activities**



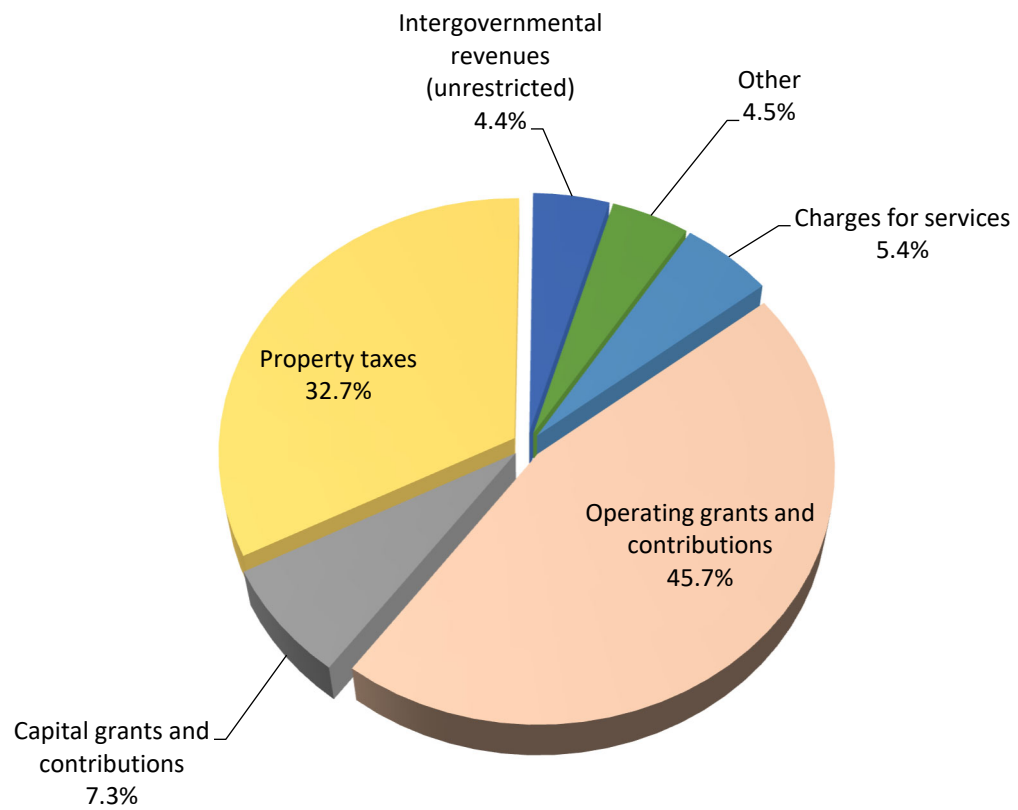
**CITY OF WORCESTER, MASSACHUSETTS**

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**FY 2022 Revenues by Source – Governmental Activities**





## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

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(In thousands of dollars)

**Business-type activities** – Business-type activities decreased the City's net position by \$3,926.

- The water fund had operating income of \$309 and a decrease in net position of \$2,178. This follows the previous year's operating loss of \$1,543 and a decrease in net position of \$4,526. Water rates did not change over the previous fiscal year and usage fee income decreased \$1,122 or 3.9%. There were 88 employees at the end of the fiscal year compared to 94 as of the previous fiscal year end. Salaries and fringes decreased \$3,482 or 23.2% primarily because of a decrease in OPEB expense of \$2,875 and a decrease in pension expense of \$567. Salaries and overtime decreased \$160 and fringe benefits increased \$120. Depreciation expense increased \$88 and interest expense decreased \$205. The net investment in capital assets increased \$3,353.
- The sewer fund had operating income of \$1,502 and a decrease in net position of \$1,832. This follows the previous year's operating income of \$1,059 and a decrease in net position of \$3,590. Sewer rates increased 4.0% over the previous fiscal year and usage fee income decreased \$1,043 or 2.1%. There were 524 employees at the end of the fiscal year compared to 54 as of the previous fiscal year end. Salaries and fringes decreased \$319 or 4.3% primarily because of a decrease in OPEB expense of \$306 and a decrease in pension expense of \$273 and salaries and overtime increased \$86 and fringe benefits increased \$143. Depreciation expense increased \$496 and interest expense decreased \$145. Net transfers in from other funds increased \$969. The net investment in capital assets decreased \$5,688.
- The golf course fund (non-major) had operating income of \$53 and an increase in net position of \$84. This follows the previous year's operating income of \$346 and an increase in net position of \$441. Revenues decreased \$140 or 7.5% from the previous year. There were 2 full-time employees employed at the golf course at year end compared to 2 employees as of the previous fiscal year end. Salaries and fringe increased \$109 and ordinary maintenance increased \$51. The net investment in capital assets increased \$215. The General Fund subsidized the golf enterprise with net transfers of \$100 in fiscal 2022 compared to \$183 in the previous fiscal year.

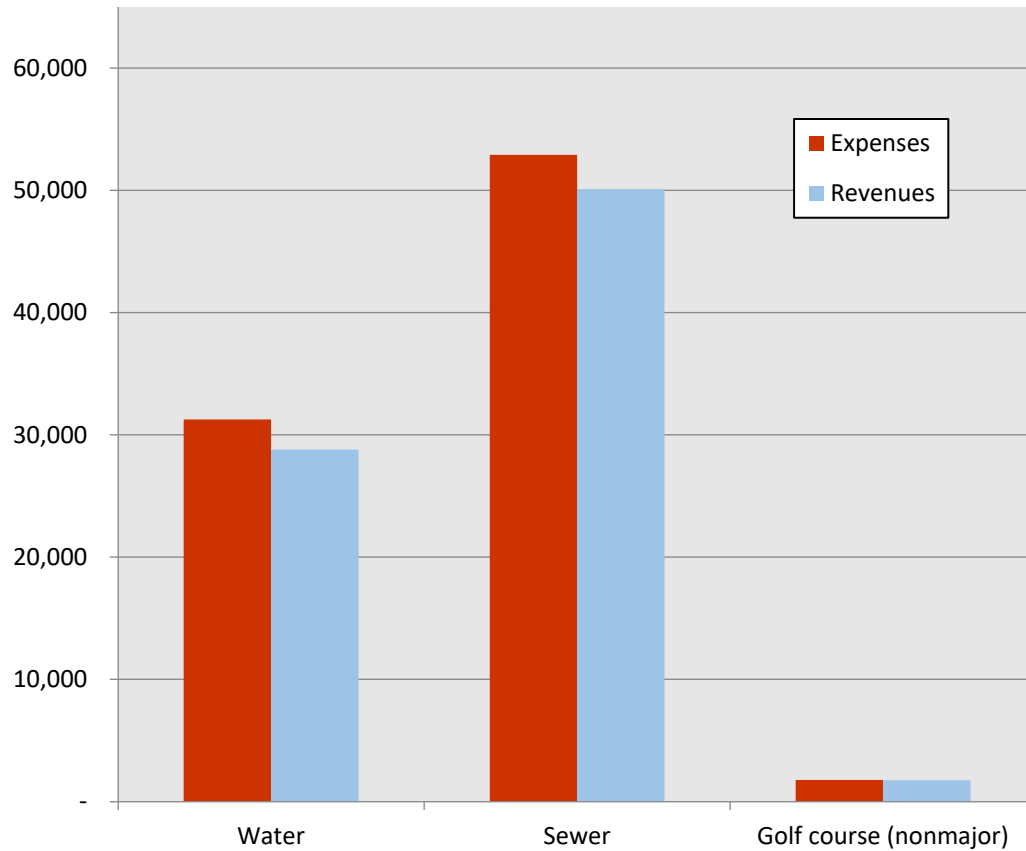
**CITY OF WORCESTER, MASSACHUSETTS**

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(In thousands of dollars)

**FY 2022 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 2022, the City's governmental funds reported combined ending fund balances of \$210,717 an increase of \$73,306 or 187% from fiscal 2021. Fund balance includes \$15,779 of non-spendable amounts contained in nonexpendable permanent funds and \$82,472 of unassigned general fund balance available for spending at the City's discretion subject to state certification. Deficits of \$30,070 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 \$71,333 restricted for specific purposes or by federal or state grants, \$42,043 of funds committed for future debt service and \$29,160 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 2022 the general fund unassigned balance was \$82,472 or 10.9% of total general fund revenues. Total revenue exceeded expenditures by \$24,521, while transfers out exceeded transfers in by \$16,842. Equipment purchased through financing included in expenditures totaled \$4,551. The general fund increased \$12,230 over the previous fiscal year primarily due to revenue collections coming in above estimates by \$15,304, actual expenditures coming in under budget by \$7,996, and 50% of the free cash appropriation used in operations and OPEB contributions that totaled \$9,591. Departmental revenues exceeded estimates by \$4,309 with marijuana host agreements exceeding estimates by \$1,424, trash bag sales by \$1,009 and solar renewable credits by \$652. Other taxes and penalties and interest and taxes exceeded estimates by \$2,803. Motor vehicle excise exceeded estimates by \$3,248 and property taxes by \$947. Licenses and permits exceeded estimates by \$2,201 and intergovernmental revenue by \$976. Expenditures from all departments came in under budget including \$1,148 from the seventeen departments included in general government, \$494 in public safety, \$535 in health and human services, \$1,351 in public works, \$447 in culture and recreation, \$1,895 in debt service, \$1,105 in fringe benefits, and \$1,020 in intergovernmental charges.

The debt service fund is a major fund reported by the city and had a fund balance of \$42,043 at the end of fiscal 2022, an increase of \$12,432 over the previous year. During the year \$3,570 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. There were \$18,631 of transfers in from the general fund, a decrease of \$488 from the previous fiscal, for the transfer of property taxes related to CitySquare district improvement financing, for current debt service related to the prior capital campaign, and for current and future debt service on new school building and fire station construction. The ballpark district improvement financing fund received a transfer from parking operations for related ballpark parking for the year from city owned parking operations that totaled \$488 which will be used to finance ballpark stadium debt service. Debt service expenditures totaled \$18,175, an increase of \$1,806 over the previous fiscal year. Debt service paid included capital campaign fund \$5,562 which includes debt for previous completed projects including the vocational high school, library, and other school improvements; the CitySquare project \$4,086 which is self-funded debt from related district improvement financing revenue; North High school debt \$1,233; New High School fund \$3,107; DCU special district debt \$3,156 self-funded debt from

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special district financing revenue; baseball district improvement fund \$914 and other debt \$117 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 schools increased \$1,489 for a total fund balance of \$15,133 as of June 30, 2022. The other fund balances as of June 30, 2022 included; a fund for new fire station \$5,854, baseball district improvement financing fund \$2,742, North High debt service fund \$6,669; DCU Capital Improvement Fund \$4,837, Capital Campaign \$1,004, CitySquare district improvement financing fund \$214, and other \$864. In addition, leasing activities related to the ballpark lease increased the fund \$4,726 related to the difference between the present value of the lease receivable of \$62,158 and deferred inflows totaling \$57,432.

The school construction fund is a capital project fund and was considered a major fund in fiscal 2022 because liabilities in the fund exceeded 10% of total governmental fund liabilities. Expenditures totaled \$98,222 for the year and included construction costs for the replacement of South High School \$30,371, construction costs for the replacement of Doherty High School \$63,522, and repairs of other school buildings \$4,329. Grant revenue from the Massachusetts School Building Authority totaled \$54,405. Bonds and related premiums issued related to current projects totaled \$64,634 to refinance \$50,785 of temporary notes outstanding at the previous fiscal year end and to fund projects. Temporary notes issued and outstanding as of June 30, 2022 for the projects totaled \$24,636. The fund balance as of June 30, 2022 was (\$29,225) and was financed by temporary notes and other current liabilities.

The city grants fund is a special revenue fund and was considered a major fund in fiscal 2022 because assets in the fund totaling \$125,403 exceeded 10% of total governmental fund assets. The city has received advances totaling \$109,468 from the federal government's American Rescue Plan (ARP) which had not been appropriated as of year-end and was held as cash and unearned revenue as of June 30, 2022. Revenue and expenses recognized during the year for general government activities for ARP funding totaled \$19,314 and included revenue replacement \$11,290, premium pay for essential front-line workers \$2,423, implementation of the City's new enterprise resource planning software \$3,837, improvements to the DCU Center \$1,276, and other expenses \$488. Other grant expenses included other general government \$5,748, public safety \$5,142, health and human services \$6,166, community development \$4,692, and other \$2,285. The fund balance as of June 30, 2022 was \$13,472.

Other governmental funds are non-major funds and had a balance of \$101,954 as of June 30, 2022, a \$93,423 increase from the previous year. The non-major special revenue funds increased by \$11,396 as revenues of \$127,311 and premiums on issuance of bonds and notes of \$1,127 exceeded expenditures of \$112,447 and net transfers out of \$4,595. The non-major capital project funds increased \$85,546 as revenues of \$22,860, bond proceeds and related premiums of \$124,843 and net transfers in from other funds of \$120 exceeded expenditures of \$62,277. Permanent funds decreased \$3,519 as net investment losses of \$3,455, expenditures of \$96 and net transfers out to other funds of \$60 exceeded donations of \$92.

**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 2022 totaled \$42,710. There was a \$3,926 decrease in net position from current year operations. The water fund had a decrease in net position of \$2,178 while the sewer fund had a decrease of \$1,832 and the golf course fund (non-major) had an increase of \$84. Unrestricted net position consisted of (\$31,656) in the water fund, (\$5,726) in the sewer fund and (\$678) in the golf course fund

## **CITY OF WORCESTER, MASSACHUSETTS**

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(non-major). Net investment in capital assets consisted of \$58,451 in the water fund, \$21,865 in the sewer fund and \$454 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 \$10,627 higher than the original estimated revenues due primarily to an increase in local receipts for a transfer from ARP funds for revenue recovery that totaled \$7,096 and an increase in state aid for public education totaling \$2,686 after the original budget was passed.

The final budget for transfers-in increased by \$1,360 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; \$800 from premium on loans to cover debt issuance costs; \$45 for vehicle insurance settlements. There was also a \$38 transfer from the OPEB trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$13,372 higher than the original budget. ARP recovery funds were appropriated to the department of public works for street resurfacing projects with a budget increase of \$7,057, the education budget increased \$2,686 due to the additional funding, the treasury budget increased \$800 for additional funding for debt issuance costs, and fiscal 2021 free cash appropriated to departments for operating expenditures in fiscal 2022 totaled \$3,363.

The final budget for transfers-out increased from the original budget by \$8,296. Subsequent transfers out to other fund included \$1,327 for additional transfers to the debt service fund for the new fire station that was financed partly by additional property taxes on new growth above budgeted estimates totaling \$818 and appropriations from 2021 free cash that totaled \$509. Transfers totaling \$349 were made to enterprise funds to cover salary cost of living increases and indirect charges. A transfer totaling \$5,809 was made to the OPEB Trust fund from 2021 free cash in accordance with the financial integrity plan. A transfer was made to debt service fund for airport related debt \$6. A transfer was made to capital projects for new parking revenue equipment that totaled \$400 and the general fund paid down temporary notes payable in the capital project fund that totaled \$405.

The general fund had a net increase in the budgetary basis fund balance by \$13,617 during the year and was higher than the budgeted deficit of \$9,682 by \$23,299. By comparison, the net changes in the previous three fiscal years were \$13,474, \$6,318, and \$5,493. The budgeted deficit of \$9,682 included free cash appropriations from unassigned general fund totaling \$19,364 offset by an intrafund transfer to the bond rating stabilization fund, a reserve account of the general fund, of \$9,682. The year-end unassigned fund balance on a budgetary basis totaled \$79,936. Revenues exceed budget estimates by \$15,304. Actual expenses were less than budgeted appropriations by \$6,975 and intergovernmental charges were less than budgeted estimates by \$1,020.

Revenue accounts with the largest positive variances included property taxes that exceeded estimates by \$946, motor vehicle excise by \$3,248 primarily due to the timing of commitments, inspectional service permits \$1,704, revenue from solar renewable energy certificates \$652, sales of trash bags \$1,009, other taxes \$2,032, penalties and interest on taxes \$770, miscellaneous revenue \$1,932 and marijuana host agreements \$1,424.

Expenditures with the largest unspent appropriation from the final budget included general government \$1,148 or 3.8% of its budget, public safety \$494 or 0.4% of its budget, health and human service \$535 or 11.1% of its budget,

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(In thousands of dollars)

public works \$1,351 or 4.5% of its budget, parks \$265 or 3.7% of its budget, debt service \$1,895 or 3.6% of its budget, fringe benefits \$1,105 or 0.8% of its budget.

#### Capital Assets and Debt Administration

**Capital assets** – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 totaled \$1,565,782. 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 \$101,944 or 7.0%. Governmental activities increased by \$104,736 or 8.7% and business-type activities decreased by \$2,792 or 1.1%. Governmental activities fixed asset acquisitions totaled \$176,705 and depreciation for the year totaled \$71,969.

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 \$17,145 including resurfacing projects \$12,781; and other street and sidewalk projects \$4,364.
- Worcester's minor league baseball park development continued in fiscal 2022 with costs incurred totaling \$7,026 for the year. The stadium was substantially complete in the previous year when it was placed into service for its inaugural home game on May 4, 2021. Through June 30, 2022 the ballpark construction totaled \$136,024. Land acquisition and the cost of relocation of former occupants totaled \$21,626.
- Baseball district improvements including the construction of the new garage continued in fiscal 2022 and totaled \$9,378 for the year and with cumulative costs of \$22,257. Picket Plaza construction costs for the year totaled \$2,408 and cumulative costs of \$3,049. Other infrastructure projects totaled \$1,900 for the year. These projects were funded with state Massworks grants.
- Capitalized costs totaled \$8,353 in fiscal 2022 for other park improvements including the development of a skate park for \$1,513, improvements at Hope Cemetery \$1,329, Columbus Trail \$1,088, Coes Beach and Pond \$806, a new artificial turf sport field, improvements to woodland pathways, and a firefighter memorial at Institute Park that continued in fiscal 2022 totaling \$1,075 for the year and in service total costs of \$5,111.
- Capitalized construction costs including furnishings and equipment totaled \$98,084 for school construction during fiscal 2022. 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 construction in progress that were incurred in fiscal 2022 totaled \$30,255 and cumulatively totaled \$186,106 while reimbursements from the MSBA on this school totaled \$18,879 in fiscal 2022 and cumulatively totaled \$100,002. Costs related to the replacement of Doherty High school totaled \$63,522 and accrued revenue from the MSBA totaled \$35,346. Other school building projects totaled \$4,307 for the fiscal year.
- Capitalized costs for rehabilitation of public buildings included energy improvements totaling \$8,125 including LED light conversion, HVAC controls upgrades, boiler replacements, transformer replacement and solar panels. Property was acquired during the year from the recently closed Becker College totaling

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

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(In thousands of dollars)

\$4,500 which the City will repurpose. An upgrade to the electrical vault at the DCU Center was in progress with costs incurred during the year totaling \$1,146.

- Capitalized costs for rolling equipment totaled \$2,846 including 10 mid-sized busses \$761; new fire fighting truck and ladder \$877, heavy duty vehicles for public works and parks \$575.
- Other equipment included body cameras for the police department that totaled \$3,790, network equipment for the technical services department \$1,224, telecommunication and video equipment at the DCU Center \$554, equipment for the school department \$4,789, off street parking equipment \$1,065.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$19,720. Of this amount, \$13,354 was for sewer infrastructure projects and \$4,458 for water infrastructure and building projects. Land acquisition for watershed projects totaled \$700, new rolling equipment for water and sewer totaled \$885, and other new equipment totaled \$323.

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	
	2022	2021	2022	2021	2022	2021
Land	\$ 46,502	45,377	8,773	8,072	55,275	53,449
Buildings	775,506	570,346	18,501	20,047	794,007	590,393
Improvements, other than buildings	176,357	169,981	-	-	176,357	169,981
Equipment and other	61,072	46,670	1,961	2,043	63,033	48,713
Rolling equipment	9,690	9,706	2,840	3,196	12,530	12,902
Infrastructure	165,222	162,065	223,891	225,400	389,113	387,465
Construction in progress	75,467	200,935	-	-	75,467	200,935
Total	\$ 1,309,816	1,205,080	255,966	258,758	1,565,782	1,463,838

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 \$961,213, an increase of \$132,961 or 16.1% from the prior fiscal year. General obligation bonds totaling \$919,142 comprises debt backed by the full faith and credit of the City.

Long-term debt						
	Governmental activities		Business-type activities		Total	
	2022	2021 *	2022	2021	2022	2021 *
General obligation bonds	\$ 731,827	603,142	187,315	181,770	919,142	784,912
Notes from direct borrowings	13,988	13,974	3,892	4,190	17,880	18,164
Lease liabilities	24,191	25,176	-	-	24,191	25,176
Total	\$ 770,006	642,292	191,207	185,960	961,213	828,252

\* Restated

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

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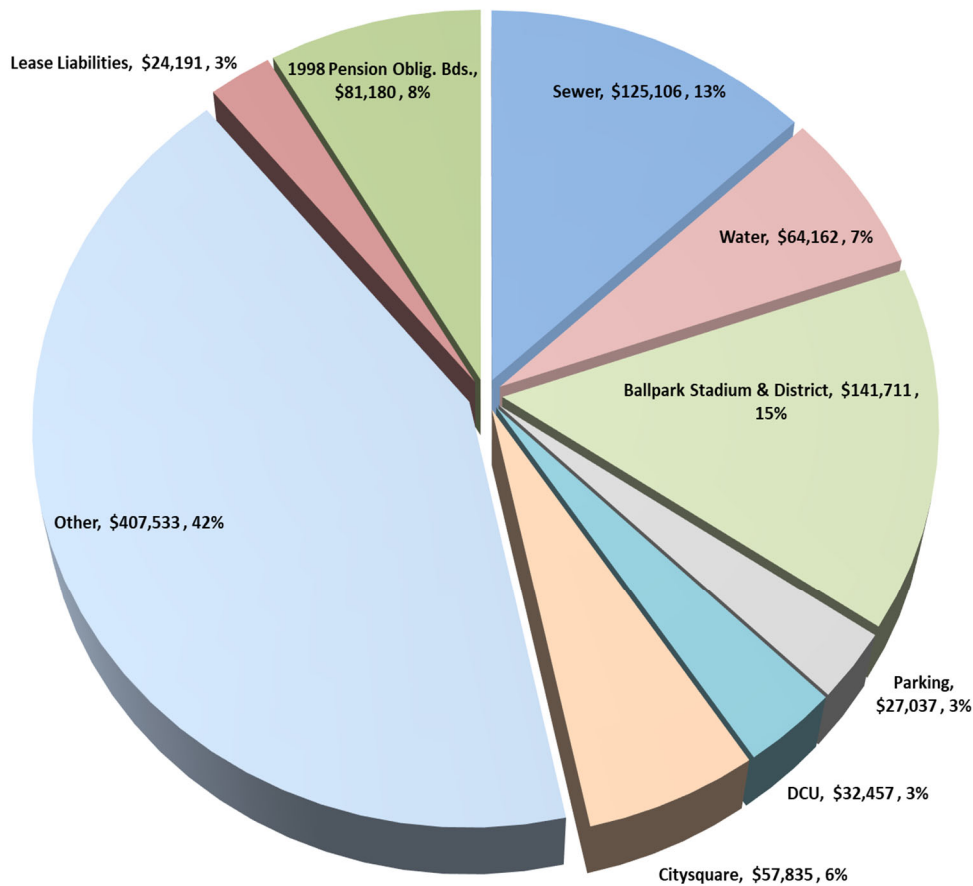
(In thousands of dollars)

On February 1, 2022, the City issued general obligation bonds totaling \$194,620 for current projects. The proceeds consisted of \$177,245 for governmental activities and \$17,375 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.

#### Long-term debt as of June 30, 2022





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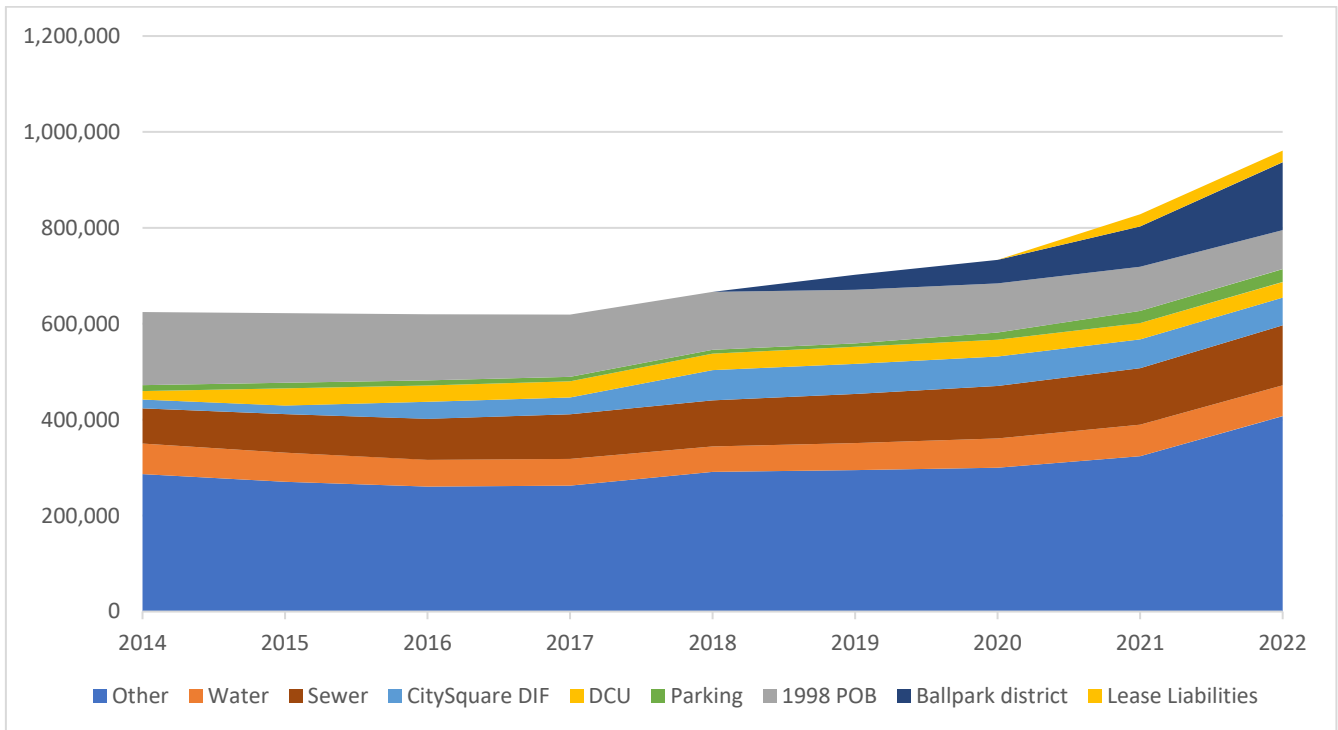
(In thousands of dollars)

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.

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 \$407,533 and is paid primarily from the general fund. This includes outstanding long-term debt related to schools \$148,547, other public buildings \$47,239, energy efficiency and renewable projects \$58,632, streets and sidewalks \$78,486, parks \$44,545, equipment \$21,311, golf course \$1,939, and other purposes \$6,834. Debt service reserves related to school buildings, parks and the planned construction of a new fire station totaled \$28,520.

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



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

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(In thousands of dollars)

#### **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 4.6% at June 30, 2022, compared with a 7.0% rate that existed a year earlier. The state and national unemployment figures at June 30, 2022 were 3.5% and 3.8%, respectively.

Taxable assessed property values increased 14.4% to \$17,934,338 in fiscal 2022 of which new growth valuations was \$237,243 or 1.5%. Residential real estate totaled \$13,858,704 and increased 14.1%; commercial and industrial real estate totaled \$3,139,338 and increased 12.5%; and personal property totaled \$936,296 a net increase of 6.1%.

The fiscal 2023 general fund budget as adjusted at the tax reclassification anticipates total revenues of \$800,143 and transfers from other funds of \$700 compared with actual results of \$758,999 and \$3,256 respectively in fiscal 2022. Fiscal 2022 free cash to be appropriated in fiscal 2023 is \$20,525. It is anticipated that property tax revenue will increase by \$11,693 or 3.4% over the previous fiscal 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 \$20,642 as of June 30, 2022 which was not used in previous fiscal years when the City did not tax up to the annual allowable increase. State local aid for schools increased \$25,125 or 8.6%. Other revenue categories were budgeted approximately level to fiscal 2022.

The fiscal 2023 general fund budget as updated at the tax classification anticipates total expenditures of \$774,020 and transfers to other funds of \$26,823 compared with actual results of \$722,138 and \$26,499 in the previous fiscal year. Fiscal 2023 budgeted expenditures and transfers out increased over the previous fiscal year actual amounts by \$52,206 or 7.0%, including \$29,330 or 7.6% for the school department's budget, \$7,097 or 21% for debt service, \$2,653 or 7.9% for pension expense, and \$2,123 or 7.5% for health insurance expense. Salaries for city departments increased 2.75% as a result of a cost-of-living adjustment.

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 \$50,472 in total revenues, \$141 more than the previous fiscal year actual and water revenue is budgeted to receive \$28,489 in total revenues, \$935 less than the previous fiscal year actual. Sewer rates were increased by 2.0% from the previous fiscal year and water rates increased 0.3%. The golf course anticipates revenues of \$2,028, which is \$292 more than the previous fiscal 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, 2022

				Component units	
	Primary government			Worcester	Upper Blackstone Water Pollution Abatement District
	Governmental activities	Business-type activities	Total	Redevelopment Authority	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 206,836,092	21,036,844	227,872,936	300,058	2,378,593
Restricted cash and cash equivalents	184,698,501	25,197,806	209,896,307	15,052	-
Restricted investments	23,989,212	-	23,989,212	-	16,165,930
Receivables (net of allowance for uncollectibles)	24,274,324	17,364,096	41,638,420	2,601,751	795,497
Intergovernmental receivables	75,041,107	-	75,041,107	-	-
Lease receivable	(758,830)	-	(758,830)	515,781	-
Prepaid expenses	-	-	-	288,911	-
Total current assets	514,080,406	63,598,746	577,679,152	3,721,553	19,340,020
Noncurrent assets:					
Intergovernmental receivables	-	-	-	-	1,403,451
Lease receivable	62,917,625	-	62,917,625	2,922,031	-
Right of use assets	22,285,599	-	22,285,599	-	-
Capital assets, not being depreciated	121,969,379	8,772,463	130,741,842	1,154,614	6,457,276
Capital assets, net of accumulated depreciation	1,187,846,907	247,193,571	1,435,040,478	27,448,440	149,376,698
Total noncurrent assets	1,395,019,510	255,966,034	1,650,985,544	31,525,085	157,237,425
<b>Total assets</b>	<b>1,909,099,916</b>	<b>319,564,780</b>	<b>2,228,664,696</b>	<b>35,246,638</b>	<b>176,577,445</b>
<b>Deferred outflows of resources:</b>					
Related to pensions	27,823,805	1,396,316	29,220,121	-	1,761,289
Related to OPEB	295,657,457	7,550,470	303,207,927	-	1,078,394
Related to refunding	502,788	240,577	743,365	-	203,492
<b>Total deferred outflows of resources</b>	<b>323,984,050</b>	<b>9,187,363</b>	<b>333,171,413</b>	<b>-</b>	<b>3,043,175</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	95,949,447	11,714,671	107,664,118	1,346,940	746,008
Accrued liabilities	18,765,851	2,136,745	20,902,596	5,291,128	2,423,053
Retainage payable	6,576,045	77,989	6,654,034	-	-
Unearned revenue	117,133,826	-	117,133,826	-	-
Other liabilities	6,913,992	-	6,913,992	181,035	-
Temporary notes payable	39,989,654	7,420,545	47,410,199	-	-
Noncurrent liabilities due within one year	78,654,126	14,792,247	93,446,373	15,545,209	8,825,968
Total current liabilities	363,982,941	36,142,197	400,125,138	22,364,312	11,995,029
Noncurrent liabilities:					
Net pension liability	277,074,568	13,014,329	290,088,897	-	7,179,273
Net OPEB liability	1,194,862,521	30,547,569	1,225,410,090	-	2,444,159
Other noncurrent liabilities due in more than one year	762,420,160	184,904,151	947,324,311	908,054	129,185,654
Total noncurrent liabilities	2,234,357,249	228,466,049	2,462,823,298	908,054	138,809,086
<b>Total liabilities</b>	<b>2,598,340,190</b>	<b>264,608,246</b>	<b>2,862,948,436</b>	<b>23,272,366</b>	<b>150,804,115</b>
<b>Deferred inflows of resources:</b>					
Related to pensions	159,856,221	11,567,111	171,423,332	-	3,389,134
Related to OPEB	307,515,974	7,850,139	315,366,113	-	1,254,434
Related to refunding	4,879,075	2,016,586	6,895,661	-	-
Related to lease receivables	57,432,658	-	57,432,658	3,341,306	-
<b>Total deferred inflows of resources</b>	<b>529,683,928</b>	<b>21,433,836</b>	<b>551,117,764</b>	<b>3,341,306</b>	<b>4,643,568</b>
<b>Net position:</b>					
Net investment in capital assets	667,814,900	80,769,753	748,584,653	20,737,707	20,263,531
Restricted for:					
Nonexpendable permanent funds:					
Libraries	6,522,648	-	6,522,648	-	-
Hope Cemetery	4,722,703	-	4,722,703	-	-
Health and human services	2,880,488	-	2,880,488	-	-
Other nonexpendable permanent funds	1,653,422	-	1,653,422	-	-
Expendable permanent funds:					
Libraries	4,964,692	-	4,964,692	-	-
Hope Cemetery	1,189,991	-	1,189,991	-	-
Health and human services	1,183,855	-	1,183,855	-	-
Other nonexpendable permanent funds	1,093,079	-	1,093,079	-	-
State and federal grants	24,105,636	-	24,105,636	-	-
Culture & recreation grants	1,342,701	-	1,342,701	-	-
General government grants	5,655,391	-	5,655,391	-	-
Health and human services grants	2,216,649	-	2,216,649	-	-
Library grants	1,978,651	-	1,978,651	-	-
Public safety grants	5,731,916	-	5,731,916	-	-
Public works grants	2,386,726	-	2,386,726	-	-
Educational grants	6,524,687	-	6,524,687	-	-
Unrestricted (deficit)	(1,636,908,287)	(38,059,692)	(1,674,967,979)	(12,104,741)	3,909,406
<b>Total net position</b>	<b>\$ (894,940,152)</b>	<b>42,710,061</b>	<b>(852,230,091)</b>	<b>8,632,966</b>	<b>24,172,937</b>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2022

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	\$ 60,920,886	7,848,956	20,475,097	-	(32,596,833)
Public safety	196,585,391	25,758,722	6,070,913	-	(164,755,756)
Health and human services	15,901,613	1,227,181	13,103,034	-	(1,571,398)
Education	613,133,187	1,309,931	430,084,605	54,405,212	(127,333,439)
Public works	52,549,636	14,132,328	84,959	18,947,818	(19,384,531)
Culture and recreation	36,089,861	6,042,466	2,645,850	3,909,755	(23,491,790)
Community development	15,965,169	186,395	8,727,505	-	(7,051,269)
Interest on debt	20,173,487	-	-	-	(20,173,487)
Total governmental activities	<u>1,011,319,230</u>	<u>56,505,979</u>	<u>481,191,963</u>	<u>77,262,785</u>	<u>(396,358,503)</u>
Business-type activities:					
Water	30,576,730	28,798,396	-	-	(1,778,334)
Sewer	52,390,903	50,081,213	-	1,992	(2,307,698)
Golf course (nonmajor)	1,753,100	1,736,371	-	-	(16,729)
Total business-type activities	<u>84,720,733</u>	<u>80,615,980</u>	<u>-</u>	<u>1,992</u>	<u>(4,102,761)</u>
Total primary government	<u>\$ 1,096,039,963</u>	<u>137,121,959</u>	<u>481,191,963</u>	<u>77,264,777</u>	<u>(400,461,264)</u>
Component units:					
Worcester Redevelopment Authority	\$ 3,895,728	732,951	-	462,588	(2,700,189)
Upper Blackstone Water Pollution Abatement District	<u>30,159,442</u>	<u>30,198,905</u>	<u>-</u>	<u>578,284</u>	<u>617,747</u>
Total component units	<u>\$ 34,055,170</u>	<u>30,931,856</u>	<u>-</u>	<u>1,040,872</u>	<u>(2,082,442)</u>

(Continued)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2022

	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)	\$ (396,358,503)	(4,102,761)	(400,461,264)	(2,700,189)	617,747
General revenues:					
Property taxes	344,186,665	-	344,186,665	-	-
Motor vehicle excise taxes	16,927,554	-	16,927,554	-	-
Other taxes and in-lieu payments	10,337,017	-	10,337,017	-	-
Penalties and interest on taxes	2,872,207	-	2,872,207	-	-
Intergovernmental (unrestricted)	46,469,570	-	46,469,570	-	341,048
Investment earnings	(186,600)	-	(186,600)	3,445	247,293
Energy sales and rebates	4,142,693	-	4,142,693	-	-
Miscellaneous	13,673,369	-	13,673,369	-	-
Transfers (net)	(177,178)	177,178	-	-	-
Total general revenues and transfers (net)	438,245,297	177,178	438,422,475	3,445	588,341
Contributions to permanent funds	92,439	-	92,439	-	-
Sub-total	438,337,736	177,178	438,514,914	3,445	588,341
Change in net position	41,979,233	(3,925,583)	38,053,650	(2,696,744)	1,206,088
Net position - beginning *	(936,919,385)	46,635,644	(890,283,741)	11,329,710	22,966,849
Net position - ending	\$ (894,940,152)	42,710,061	(852,230,091)	8,632,966	24,172,937

(Concluded)

\* Restated for Primary Government

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Balance Sheet

## Governmental Funds

June 30, 2022

	General	Debt Service	School Construction	City Grants	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 118,335,639	37,317,081	-	-	29,384,551	185,037,271
Restricted cash and cash equivalents	-	-	-	120,198,599	64,499,902	184,698,501
Restricted investments	-	-	-	-	23,989,212	23,989,212
Due from other funds	37,313,200	-	-	-	-	37,313,200
Receivables (net of allowance for uncollectibles)	16,880,600	62,158,795	-	-	3,164,070	82,203,465
Intergovernmental receivables	5,267,411	-	39,309,305	5,204,639	25,259,752	75,041,107
<b>Total assets</b>	<u>\$ 177,796,850</u>	<u>99,475,876</u>	<u>39,309,305</u>	<u>125,403,238</u>	<u>146,297,487</u>	<u>588,282,756</u>
<b>Liabilities:</b>						
Accounts payable	\$ 75,575,797	-	11,304,622	2,463,598	5,115,299	94,459,316
Due to general fund	-	-	28,106,158	-	9,207,042	37,313,200
Retainage payable	-	-	4,487,813	-	2,088,232	6,576,045
Temporary loans	-	-	24,635,542	-	15,354,112	39,989,654
Unearned revenue	-	-	-	109,468,007	7,665,819	117,133,826
Other liabilities	5,165,492	-	-	-	1,748,500	6,913,992
<b>Total liabilities</b>	<u>80,741,289</u>	<u>-</u>	<u>68,534,135</u>	<u>111,931,605</u>	<u>41,179,004</u>	<u>302,386,033</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue-property taxes	7,700,092	-	-	-	-	7,700,092
Unavailable revenue-other	6,883,075	-	-	-	3,164,070	10,047,145
Related to lease receivable	-	57,432,658	-	-	-	57,432,658
<b>Total deferred inflows of resources</b>	<u>14,583,167</u>	<u>57,432,658</u>	<u>-</u>	<u>-</u>	<u>3,164,070</u>	<u>75,179,895</u>
<b>Fund balances:</b>						
Nonspendable	-	-	-	-	15,779,261	15,779,261
Restricted	-	-	-	13,471,633	57,861,102	71,332,735
Committed	-	42,043,218	-	-	29,160,185	71,203,403
Unassigned	82,472,394	-	(29,224,830)	-	(846,135)	52,401,429
<b>Total fund balances</b>	<u>82,472,394</u>	<u>42,043,218</u>	<u>(29,224,830)</u>	<u>13,471,633</u>	<u>101,954,413</u>	<u>210,716,828</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 177,796,850</u>	<u>99,475,876</u>	<u>39,309,305</u>	<u>125,403,238</u>	<u>146,297,487</u>	<u>588,282,756</u>

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, 2022

Total governmental fund balances (Exhibit 3)	\$ 210,716,828
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	1,309,816,286
Right of use assets (net of accumulated amortization) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	22,285,599
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	
Unavailable revenue-property taxes	7,700,092
Unavailable revenue-other	10,047,145
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.	16,362,655
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.	(10,590,162)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds.	(132,032,416)
Deferred outflows and inflows of resources of OPEB are not reported in government funds.	(11,858,517)
Deferred outflows of resources of refunding charges are not reported in government funds.	502,788
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
General obligation bonds (inside debt limit)	(272,312,965)
General obligation bonds (outside debt limit)	(459,514,916)
Deferred amounts on bond premiums and refundings	(38,484,391)
Notes payable – HUD Sec 108	(1,441,000)
Notes payable - equipment	(12,546,532)
Lease liability	(24,190,507)
Net pension liability	(277,074,568)
Net OPEB liability	(1,194,862,521)
Judgments and claims	(11,125,105)
Compensated absences	(15,431,945)
Landfill closure costs and post closure costs	(10,906,000)
Net position of governmental activities (Exhibit 1)	<u><u>\$ (894,940,152)</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, 2022

	General	Debt Service	School Construction	City Grants	Other governmental funds	Total governmental funds
<b>Revenues:</b>						
Property taxes	\$ 343,149,192	-	-	-	-	343,149,192
Motor vehicle excise taxes	16,774,150	-	-	-	-	16,774,150
Other taxes and in-lieu payments	7,632,966	3,569,640	-	-	-	11,202,606
Penalties and interest on taxes	2,872,207	-	-	-	-	2,872,207
Licenses and permits	8,673,496	-	-	-	-	8,673,496
Intergovernmental	353,792,067	-	54,405,212	36,424,244	115,239,771	559,861,294
Charges for services	11,008,821	-	-	-	31,551,365	42,560,186
Fines and forfeitures	1,923,921	-	-	-	-	1,923,921
Investment earnings (losses)	365,232	2,744,992	-	155,872	(3,452,696)	(186,600)
Donations	-	-	-	3,228,981	704,942	3,933,923
Contributions to permanent funds	-	-	-	-	92,439	92,439
Energy sales and rebates	1,652,357	-	-	-	2,490,336	4,142,693
Lease revenue	-	2,127,136	-	-	-	2,127,136
Miscellaneous	10,378,867	3,045,900	-	66,329	182,273	13,673,369
<b>Total revenues</b>	<b>758,223,276</b>	<b>11,487,668</b>	<b>54,405,212</b>	<b>39,875,426</b>	<b>146,808,430</b>	<b>1,010,800,012</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	28,956,334	-	-	25,061,528	11,025,674	65,043,536
Public safety	115,348,686	-	-	5,141,930	14,717,355	135,207,971
Health and human services	4,286,277	-	-	6,165,550	6,046,483	16,498,310
Education	315,925,958	-	98,221,735	-	79,843,662	493,991,355
Public works	28,395,801	-	-	177,361	33,268,687	61,841,849
Culture and recreation	13,268,155	-	-	1,832,120	11,491,364	26,591,639
Fringe benefits	138,724,736	-	-	-	-	138,724,736
Community development	-	-	-	4,692,483	11,119,223	15,811,706
State and regional charges	38,371,660	-	-	-	-	38,371,660
<b>Debt service:</b>						
Principal	34,401,169	11,411,097	-	232,692	2,610,701	48,655,659
Interest	16,023,615	6,763,410	-	43,344	4,698,047	27,528,416
<b>Total expenditures</b>	<b>733,702,391</b>	<b>18,174,507</b>	<b>98,221,735</b>	<b>43,347,008</b>	<b>174,821,196</b>	<b>1,068,266,837</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>24,520,885</b>	<b>(6,686,839)</b>	<b>(43,816,523)</b>	<b>(3,471,582)</b>	<b>(28,012,766)</b>	<b>(57,466,825)</b>
<b>Other financing sources (uses):</b>						
Transfers in	3,217,971	19,119,086	405,000	1,675,056	4,523,845	28,940,958
Transfers out	(20,059,682)	-	-	-	(9,058,454)	(29,118,136)
Premium on issuance of bonds and notes	-	-	2,361,526	-	10,897,468	13,258,994
Issuance of bonds	-	-	62,172,169	-	115,072,831	177,245,000
Direct borrowings - equipment acquisitions	4,550,737	-	-	-	-	4,550,737
<b>Total other financing sources (uses)</b>	<b>(12,290,974)</b>	<b>19,119,086</b>	<b>64,938,695</b>	<b>1,675,056</b>	<b>121,435,690</b>	<b>194,877,553</b>
<b>Net change in fund balances</b>	<b>12,229,911</b>	<b>12,432,247</b>	<b>21,122,172</b>	<b>(1,796,526)</b>	<b>93,422,924</b>	<b>137,410,728</b>
Fund balances – beginning	70,242,483	29,610,971	(50,347,002)	15,268,159	8,531,489	73,306,100
Fund balances – ending	\$ 82,472,394	42,043,218	(29,224,830)	13,471,633	101,954,413	210,716,828

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, 2022

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 137,410,728
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	176,705,817
Depreciation	(71,969,415)
Amortization	(2,844,301)
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.	(3,910,706)
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 and notes payable	(181,795,737)
Bond and note maturities	53,095,972
Lease liability principal payments	985,329
Net deferrals and amortization of bond premiums and deferred charges	(8,558,272)
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.	221,226
An internal service fund is used by management to charge the cost of self-insured health insurance to individual funds. The activity of the internal service fund is reported with governmental funds.	(3,206,455)
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	27,595,433
OPEB expense	(87,858,721)
Judgments and claims	5,415,655
Compensated absences	520,680
Landfill closure and post closure care	172,000
Change in net position of governmental activities (Exhibit 2)	<u>\$ 41,979,233</u>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Net Position

## Proprietary Funds

June 30, 2022

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 10,941,106	9,607,234	488,504	21,036,844	21,798,821
Restricted cash and cash equivalents	16,762,849	8,421,264	13,693	25,197,806	-
Receivables (net)	777,507	16,586,589	-	17,364,096	4,229,654
Total current assets	28,481,462	34,615,087	502,197	63,598,746	26,028,475
Noncurrent assets:					
Capital assets:					
Land	8,655,963	116,500	-	8,772,463	-
Buildings	46,175,721	5,376,650	958,453	52,510,824	-
Infrastructure	198,672,617	303,279,892	3,831,573	505,784,082	-
Equipment and other	4,371,167	473,224	-	4,844,391	-
Rolling equipment	4,388,318	11,214,477	-	15,602,795	-
Less accumulated depreciation	(153,591,338)	(175,546,057)	(2,411,126)	(331,548,521)	-
Capital assets, net	108,672,448	144,914,686	2,378,900	255,966,034	-
<b>Total assets</b>	137,153,910	179,529,773	2,881,097	319,564,780	26,028,475
<b>Deferred outflows of resources:</b>					
Related to pensions	765,026	607,304	23,986	1,396,316	-
Related to OPEB	5,118,822	2,344,160	87,488	7,550,470	-
Related to debt refunding	66,732	172,030	1,815	240,577	-
Total deferred outflows of resources	5,950,580	3,123,494	113,289	9,187,363	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	1,953,277	9,509,371	252,023	11,714,671	1,490,131
Accrued liabilities	765,088	1,341,661	29,996	2,136,745	8,175,689
Retainage payable	21,314	56,675	-	77,989	-
Judgments and claims	242,095	97,155	-	339,250	-
Compensated absences	413,705	239,098	16,660	669,463	-
Temporary loans	2,801,152	4,619,393	-	7,420,545	-
Other	218,979	363,525	15,182	597,686	-
Bonds and notes payable	5,130,535	7,727,965	327,348	13,185,848	-
Total current liabilities	11,546,145	23,954,843	641,209	36,142,197	9,665,820
Noncurrent liabilities:					
Judgments and claims	559,615	208,525	-	768,140	-
Compensated absences	60,693	31,541	12,888	105,122	-
Net pension liability	8,401,698	4,340,327	272,304	13,014,329	-
Net OPEB liability	20,566,598	9,635,645	345,326	30,547,569	-
Other	2,289,932	3,668,007	51,775	6,009,714	-
Bonds and notes payable	59,031,541	117,378,296	1,611,338	178,021,175	-
Total noncurrent liabilities	90,910,077	135,262,341	2,293,631	228,466,049	-
<b>Total liabilities</b>	102,456,222	159,217,184	2,934,840	264,608,246	9,665,820
<b>Deferred inflows of resources:</b>					
Related to pensions	7,786,657	3,604,727	175,727	11,567,111	-
Related to OPEB	5,321,305	2,437,995	90,839	7,850,139	-
Related to debt refunding	745,327	1,254,544	16,715	2,016,586	-
Total deferred inflows of resources	13,853,289	7,297,266	283,281	21,433,836	-
<b>Net position (deficit):</b>					
Net investment in capital assets	58,450,755	21,865,091	453,907	80,769,753	-
Unrestricted	(31,655,776)	(5,726,274)	(677,642)	(38,059,692)	16,362,655
<b>Total net position (deficit)</b>	\$ 26,794,979	16,138,817	(223,735)	42,710,061	16,362,655

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, 2022

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
<b>Operating revenues:</b>					
Charges for services	\$ 27,463,266	48,046,356	-	75,509,622	-
Employer contributions	-	-	-	-	81,976,913
Employee contributions	-	-	-	-	27,559,738
Fees	-	-	1,724,540	1,724,540	-
Miscellaneous	1,335,130	2,034,857	11,831	3,381,818	-
<b>Total operating revenues</b>	<b>28,798,396</b>	<b>50,081,213</b>	<b>1,736,371</b>	<b>80,615,980</b>	<b>109,536,651</b>
<b>Operating expenses:</b>					
Salaries and benefits	11,505,138	7,184,720	488,458	19,178,316	-
Benefit payments	-	-	-	-	112,770,314
Ordinary maintenance	5,019,052	24,199,830	961,474	30,180,356	-
Indirect costs	2,913,594	4,208,351	39,151	7,161,096	-
Depreciation	9,052,087	12,985,480	194,010	22,231,577	-
<b>Total operating expenses</b>	<b>28,489,871</b>	<b>48,578,381</b>	<b>1,683,093</b>	<b>78,751,345</b>	<b>112,770,314</b>
<b>Operating income (loss)</b>	<b>308,525</b>	<b>1,502,832</b>	<b>53,278</b>	<b>1,864,635</b>	<b>(3,233,663)</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	-	-	-	-	27,208
Interest expense	(2,086,859)	(3,812,522)	(70,007)	(5,969,388)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(2,086,859)</b>	<b>(3,812,522)</b>	<b>(70,007)</b>	<b>(5,969,388)</b>	<b>27,208</b>
<b>Income (loss) before capital grants and transfers</b>	<b>(1,778,334)</b>	<b>(2,309,690)</b>	<b>(16,729)</b>	<b>(4,104,753)</b>	<b>(3,206,455)</b>
Capital grants and donations	-	1,992	-	1,992	-
Transfers in	4,264,801	982,066	118,553	5,365,420	-
Transfers out	(4,664,127)	(506,007)	(18,108)	(5,188,242)	-
<b>Change in net position</b>	<b>(2,177,660)</b>	<b>(1,831,639)</b>	<b>83,716</b>	<b>(3,925,583)</b>	<b>(3,206,455)</b>
Total net position – beginning	28,972,639	17,970,456	(307,451)	46,635,644	19,569,110
Total net position – ending	\$ 26,794,979	16,138,817	(223,735)	42,710,061	16,362,655

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Cash Flows

## Proprietary Funds

For the Fiscal Year Ended June 30, 2022

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 29,423,877	50,330,833	1,736,371	81,491,081	109,536,651
Payments for interfund service provided	-	-	-	-	(113,879,687)
Payments to suppliers	(8,240,039)	(22,423,547)	(913,812)	(31,577,398)	-
Payments to employees	(10,996,525)	(6,931,547)	(466,400)	(18,394,472)	-
Net cash provided (used) by operating activities	10,187,313	20,975,739	356,159	31,519,211	(4,343,036)
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	4,264,801	982,066	118,553	5,365,420	-
Transfers (out)	(4,664,127)	(506,007)	(18,108)	(5,188,242)	-
Net cash provided (used) by noncapital financing activities	(399,326)	476,059	100,445	177,178	-
<b>Cash flows from capital and related financing activities:</b>					
Issuance of capital debt (long & short)	6,376,185	19,747,710	-	26,123,895	-
Acquisition and construction of capital assets	(5,889,995)	(13,830,553)	-	(19,720,548)	-
Principal paid on capital debt	(11,630,766)	(20,788,014)	(314,807)	(32,733,587)	-
Interest paid on capital debt	(2,398,696)	(3,984,184)	(88,126)	(6,471,006)	-
Net cash provided (used) by capital and related financing activities	(13,543,272)	(18,855,041)	(402,933)	(32,801,246)	-
<b>Cash flows from investing activities:</b>					
Investment income	-	-	-	-	27,208
Net increase (decrease) in cash and cash equivalents	(3,755,285)	2,596,757	53,671	(1,104,857)	(4,315,828)
Cash and cash equivalents at beginning 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
Cash and cash equivalents at end of year (includes \$16,762,849, \$8,421,264 and \$13,693 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	\$ 27,703,955	18,028,498	502,197	46,234,650	21,798,821
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 308,525	1,502,832	53,278	1,864,635	(3,233,663)
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	9,052,087	12,985,480	194,010	22,231,577	-
Net deferred outflows	2,508,752	951,800	69,010	3,529,562	-
Net OPEB liability	(4,843,919)	(2,020,971)	(86,997)	(6,951,887)	-
Net deferred inflows, pension and OPEB	7,807,869	3,616,369	164,841	11,589,079	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	625,481	249,620	-	875,101	(1,377,957)
Accounts payable	(246,669)	7,039,800	87,682	6,880,813	336,252
Accrued liabilities	-	-	-	-	(67,668)
Judgments and claims payable	(66,874)	(1,045,041)	-	(1,111,915)	-
Compensated absences payable	(4,461)	23,549	1,206	20,294	-
Net pension liability	(4,953,478)	(2,327,699)	(126,871)	(7,408,048)	-
Total adjustments	9,878,788	19,472,907	302,881	29,654,576	(1,109,373)
Net cash provided (used) by operating activities	\$ 10,187,313	20,975,739	356,159	31,519,211	(4,343,036)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Fiduciary Net Position

June 30, 2022\*

	<b>Pension and OPEB Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 17,119,620	503,229
Investments, at fair value:		
Equities	4	-
Fixed income	118,510,441	-
Pooled equities	349,119,264	-
Pooled fixed income	44,063,941	-
External investment pool	498,299,114	-
Real estate	80,156,038	-
Alternative investments	266,708,198	-
<b>Total investments</b>	<b>1,356,857,000</b>	<b>-</b>
Receivables:		
Accrued interest and dividends	442,277	-
Due from Commonwealth of Massachusetts and other systems	1,119,742	-
Receivable for securities sold	18,080	-
Other receivables	117,621	-
<b>Total receivables</b>	<b>1,697,720</b>	<b>-</b>
<b>Total assets</b>	<b>1,375,674,340</b>	<b>503,229</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	313,663	-
Due to student groups	-	-
Due to Commonwealth of Massachusetts and other systems	3,711,407	-
Payable for securities purchased	2,280,551	-
<b>Total liabilities</b>	<b>6,305,621</b>	<b>-</b>
<b>Net position:</b>		
Net position restricted for pensions, OPEB and other	\$ 1,369,368,719	503,229

\* Except for the Pension Trust Fund (December 31, 2021)

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, 2022\*

	Pension and OPEB Trust Funds	Custodial Funds
<b>Additions:</b>		
Contributions from:		
Employers	\$ 101,197,536	-
Plan members	20,012,226	-
Total contributions	121,209,762	-
Investment earnings:		
Interest and dividends	24,793,445	-
Net realized and unrealized gains	202,630,055	-
Less: management fees	(7,436,163)	-
Net investment income	219,987,337	-
Other	3,080,028	766,077
<b>Total additions</b>	<b>344,277,127</b>	<b>766,077</b>
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	127,864,498	-
Reimbursements to other systems	2,171,944	-
Refunds and transfers of plan member accounts to other systems	4,113,686	-
Administrative expenses	580,333	-
Other	-	262,848
<b>Total deductions</b>	<b>134,730,461</b>	<b>262,848</b>
<b>Net increase (decrease) in net position</b>	<b>209,546,666</b>	<b>503,229</b>
Net position restricted for pensions – beginning	1,159,822,053	-
Net position restricted for pensions – ending	\$ 1,369,368,719	503,229

\* Except for the Pension Trust Fund (for the fiscal year ended December 31, 2021)

See accompanying notes to basic financial statements.



# **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(in thousands of dollars)

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## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(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, 2022, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2021.

##### **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, 2022

(in thousands of dollars)

#### Discretely Presented Component Units

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

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

#### Joint Venture

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

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(in thousands of dollars)

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 2022 amounted to \$4,063, which represented approximately 71.8% 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***

June 2017, the GASB issued Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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. Except for the custodial fund (a fiduciary fund), revenues are recorded when earned and expenses are recognized when incurred. Custodial funds do not present the results of operations or have a measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

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

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

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

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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 as special stabilization funds to reduce the impact of debt service costs on future budgets.
- **School Construction** – accounts for the construction and rehabilitation of school buildings.
- **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.

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.

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### Notes to the Basic Financial Statements

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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 Fund** – The custodial fund is used to account for assets to be used for the express purpose of conducting student activities. Student activity accounts are established upon the recommendation of students to building principals and the Superintendent of Worcester Public Schools. A student activity is specific to a student organization.

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

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

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

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

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

##### **Cash Equivalents**

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

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

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

## **CITY OF WORCESTER, MASSACHUSETTS**

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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 inventoriable items for governmental funds are recorded as an expenditure at the time of purchase (purchase method). The cost of supplies and other inventoriable items for enterprise funds are valued using the first-in/first-out (FIFO) method. No significant inventory balances were on hand at June 30, 2022, and therefore are not reported.

#### **Capital Assets**

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated



## **CITY OF WORCESTER, MASSACHUSETTS**

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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 2022. 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The primary government has several 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. Deferred outflows related to debt refundings are reported in the government-wide and proprietary funds financial statements in accordance with GASB.

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

## **CITY OF WORCESTER, MASSACHUSETTS**

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

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inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has several 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. Deferred inflows related to lease receivables are reported in the government-wide and governmental funds financial statements in accordance with GASB Statement No. 87. Deferred inflows related to debt refundings are reported in the government-wide and proprietary funds financial statements in accordance with GASB. 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 two sources; property taxes and other unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

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

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

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

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

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

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

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

“Committed” — represents amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority as allowed under

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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, 2022, 100% of the City’s expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and post closure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2022 were \$172.

## **CITY OF WORCESTER, MASSACHUSETTS**

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#### **Leases**

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### **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.

## **CITY OF WORCESTER, MASSACHUSETTS**

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

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#### **Use of Estimates**

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

#### **Total Column**

##### Government-Wide Financial Statements

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

##### Fund Financial Statements

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

#### **(2) Property Taxes**

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount, which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior 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 2022, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$12,702. In fiscal 2022, expenditures were less than budgetary estimates for intergovernmental expenditures by \$1,020.

## CITY OF WORCESTER, MASSACHUSETTS

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

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

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

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

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

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and augment the coverage with banks that participate in private insurance such as the Depository Insurer's Fund, and to collateralize certain bank accounts. As of June 30, 2022, \$225,740 of the City's bank balance of \$488,872 was insured and collateralized with securities held by pledging financial institutions or through participation in a private insurer's fund and \$255,740 was uninsured and uncollateralized.

###### Investments Summary (City)

The City's investments at June 30, 2022, 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.....	\$ 246	246	-	-	-
Fixed income securities.....	7,298	7,298	-	-	-
External investment pools.....	205,051	205,051	-	-	-
Total debt securities.....	212,595	\$ 212,595	-	-	-
<u>Other investments:</u>					
Equity mutual funds.....	16,445				
Total investments.....	\$ 229,040				

## **CITY OF WORCESTER, MASSACHUSETTS**

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

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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)

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

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2022, none of the City's investments were exposed to custodial credit risk.

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

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Certain trust funds can invest in securities that are rated below AAA. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2022 the City's investment in debt securities did not have credit quality ratings with a national credit rating organization.

#### Investments – Fair Value Measurements (City)

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2022:

**CITY OF WORCESTER, MASSACHUSETTS**

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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>				
Fixed income securities.....	\$ 7,298	7,298	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	16,445	16,445	-	-
Total investments by fair value level.....	<u>23,743</u>	<u>\$ 23,743</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value..	\$ <u>23,743</u>			

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

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

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

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, 2021, the WRS's bank balance of \$9,066 was not exposed to custodial credit risk.

Investments Summary (WRS)

The WRS's investments at December 31, 2021 are presented below. All investments are presented by investment type, with debt securities presented by maturity.



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

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(in thousands of dollars)

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.....	\$ 61,177	\$ 338	29,136	25,049	6,654
U.S. Agencies.....	24,224	-	414	771	23,039
Corporate bonds.....	24,614	1,556	5,017	3,874	14,167
Money market mutual funds.....	8,354	8,354	-	-	-
External investment pool.....	467,407	467,407	-	-	-
Fixed income mutual funds.....	44,064	44,064	-	-	-
Mortgage backed securities.....	5,636	-	-	675	4,961
Asset backed securities.....	2,859	-	1,035	570	1,254
Total debt securities.....	638,335	\$ 521,719	35,602	30,939	50,075
<u>Other investments:</u>					
Equity mutual funds.....	349,120				
Real estate investments.....	80,156				
Alternative investments.....	266,708				
Total other investments.....	695,984				
Total investments.....	\$ 1,334,319				

### 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 that are in the possession of an outside party. The WRS's policy intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2021, the WRS was not exposed to custodial credit risk.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

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### 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, 2021, 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.....	\$ -	1,928	-	-	-	1,331	1,708	4,967
AA+.....	647	404	-	-	-	-	-	1,051
AA.....	414	671	-	-	-	-	-	1,085
AA-.....	298	956	-	-	-	-	-	1,254
A+.....	-	548	-	-	-	-	-	548
A.....	-	882	-	-	-	-	-	882
A-.....	-	4,663	-	-	-	521	-	5,184
BBB+.....	-	4,848	-	-	-	-	357	5,205
BBB.....	-	5,722	-	-	-	-	370	6,092
BBB-.....	-	1,191	-	-	-	-	-	1,191
Unrated.....	22,865	2,802	8,354	44,064	467,407	3,784	424	549,700
Total.....	\$ 24,224	24,615	8,354	44,064	467,407	5,636	2,859	577,159

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

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

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect fair value. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of total investments. As of December 31, 2021, there was 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 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, 2021, 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

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significant other observable inputs; Level 3 inputs are significant unobservable inputs. WRS has the following recurring fair value measurements as of December 31, 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>				
U.S. Treasuries.....	\$ 61,177	\$ 61,177	-	-
U.S. Agencies.....	24,224	-	24,224	-
Corporate bonds.....	24,615	-	24,615	-
Fixed income mutual funds.....	44,064	-	44,064	-
Mortgage backed securities.....	5,636	-	5,636	-
Asset backed securities.....	2,859	-	2,859	-
Total debt securities.....	162,575	61,177	101,398	-
<u>Equity Securities:</u>				
Equity mutual funds.....	260,737	-	260,737	-
Total equity securities.....	260,737	-	260,737	-
Total investments by fair value level.....	423,312	\$ 61,177	362,135	-
<u>Investments measured at the net asset value (NAV)</u>				
Private equities.....	154,212			
Real estate.....	80,156			
External investment pool (PRIT).....	467,407			
Pooled international equities fund (PRIT).....	88,381			
Other pooled funds (PRIT).....	112,497			
Other investments measured at fair value.....	902,653			
Total investments measured at fair value.....	\$ 1,325,965			

Debt and equity securities in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities relationship to benchmark quoted prices.

### Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities (1).....	\$ 154,212	25,286	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Real estate (2).....	80,156	11,184	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
External investment pool (PRIT) (3).....	467,407	-	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
Pooled international equities fund (PRIT) (3).....	88,381	-	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
Other pooled funds (PRIT) (4).....	112,497	53,228	N/A <sup>(4)</sup>	N/A <sup>(4)</sup>
Total investments measured at the NAV.....	\$ 902,653			

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- (1) *Private equities* - This investment type includes investments in 24 private equity funds that invest primarily in private domestic and international companies of diversified industries. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 41.0 percent of these investments can be redeemed quarterly with 90 days' notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. For approximately 5.5 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 6 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 91.3 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 7 years.
- (3) *External investment pool and pooled international equities fund* – The System owns units, or shares in the PRIT external investment pool and pooled international equities funds. The investments are governed by Chapter 32 of the MGL. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the System's ownership in the pool. The investments can be redeemed monthly on the first day of the month with one day's notice.
- (4) *Other pooled funds* – The System owns units, or shares in PRIT's other pooled funds. The fair value of the investments in this type have been determined using NAV per share (or its equivalent) of the System's ownership in the pool. The investments are illiquid. Distributions from the fund will be received as the underlying investments of the fund are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 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.

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- 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.

### 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, 2022, \$1,210 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, 2022:

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	\$ 5,488	5,488	-	-
U.S. government agency notes	1,313	-	1,313	-
Total Debt Securities	6,801	5,488	1,313	-
Equity securities	11,492	11,492	-	-
Mutual funds	44	-	44	-
Total investments by fair value	18,337	\$ 16,980	1,357	-
Investments measured at amortized cost:				
MMDT	304			
Total Investments	\$ 18,641			

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### 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.

### Investment Maturities (*The District*)

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government obligation and notes	\$ 6,801	<u>2,539</u>	<u>2,953</u>	<u>1,309</u>
Other investments:				
Equity securities	11,492			
Mutual funds	44			
MMDT	<u>304</u>			
Total investments	\$ <u>18,641</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, 2022, 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, 2022, approximately 36% 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, 2022.

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#### ***(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, 2022, none of the WRA's bank balance of \$352 was uninsured and uncollateralized.

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

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

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

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

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

Membership in WRS was as follows at December 31, 2021:

Active employees	3,377
Pensioners and beneficiaries	2,753
Inactive employees not entitled to or not receiving benefits	1,023
Inactive employees entitled to or receiving benefits	<u>145</u>
Total members	<u>7,298</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

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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).

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.



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Benefits and refunds are recognized as deductions when incurred 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 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 \$612 for the fiscal year ended June 30, 2022 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2021, active member contributions totaled \$20,012 and employer contributions totaled \$59,025. Contributions to WRS from the City were \$54,597 for the year ended June 30, 2022.

**(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, 2021, were as follows:

Total pension liability	\$	1,652,123
Plan fiduciary net position		<u>(1,338,509)</u>
Net pension liability	\$	<u>313,614</u>
Plan fiduciary net position as a percentage of the total pension liability		81.02%

At June 30, 2022, the City reported a liability of \$290,089 for its proportionate share of the net pension liability. The measurement date for the net pension liability was December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The City's proportion of the net pension liability is the proportionate share of

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employer contributions to WRS for the year ended December 31, 2021, actuarially determined. At December 31, 2021, the City's proportion was 92.5 percent, which was 0.44 percentage points lower than the proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$24,848. At June 30, 2022, the City reported deferred outflows (inflows) of resources of \$142,203 related to pensions from the following sources. There were no employer contributions after the measurement date within the reporting period (\$10,172 from employee contributions).

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows (inflows) of resources related to pensions		
Changes of assumptions	\$ 21,833	-
Net difference between projected and actual earnings on WRS investments	-	145,826
Change in proportion and differences between employer contributions and proportionate share of contributions	6,505	5,230
Differences between expected and actual experience	882	20,367
Total	\$ <u>29,220</u>	<u>171,423</u>

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2022 that will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2023	\$ (26,914)
2024	(44,787)
2025	(38,082)
2026	(29,519)
2027	(2,901)
	\$ <u>(142,203)</u>

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

The total pension liability was determined by an actuarial valuation as of January 1, 2022, 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 2024. For fiscal year 2025 and later years, the total appropriation increases 3.50% per year.

Remaining amortized period (period is closed)	12 years from July 1, 2021
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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	6.8%, 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 \$14 of retirement income
Mortality rates:	Pre-Retirement is based on RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021. Healthy retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021. Disabled retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2021 through December 31, 2021. 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,

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surrounded by a band of permissible variation resulting from market forces. On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. Permanent changes in the WRS's target asset allocation will take place only in response to significant changes in the objectives and constraints of the WRS, or in response to material changes in the fundamental nature or appropriateness of the asset classes themselves. The following was the asset allocation policy as of December 31, 2021:

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
Portfolio completion strategies	3.0	1-5
Infrastructure	5.0	2-8
Cash	0.0	<5
	<u>100.0</u>	

For the year ended December 31, 2021, the annual money-weighted rate of return on WRS investments, net of investment expense, was 19.82%. 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, 2021 are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return (%)
Domestic equity	6.11
International developed markets equity	6.49
International emerging markets equity	8.12
Core fixed income	0.38
High-yield fixed income	2.48
Real estate	3.72
Commodities	3.44
Hedge fund, global tactical asset allocation, risk parity	2.63
Infrastructure	5.16
Private equity	9.93

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

The discount rate used to measure the total pension liability was 6.8 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 6.8 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 (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
System's net pension liability	\$ 474,700	\$ 313,614	\$ 137,818

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.8 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 (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

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	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
City's share of net pension liability	\$ 439,092	\$ 290,089	\$ 127,480

### (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 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*

## CITY OF WORCESTER, MASSACHUSETTS

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June 30, 2022

(in thousands of dollars)

*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, 2022. The Commonwealth's net pension liability associated with the City was \$580,545.

The MTRS' net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

For the year ended June 30, 2022, the City recognized pension expense of \$46,586 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, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

Investment rate of return	7.00%
Salary increases	Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
Mortality rates:	<p>Pre-retirement - reflects PUB-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).</p> <p>Post-retirement - reflects PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).</p> <p>Disability – assumed to be in accordance with PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).</p>
Experience study	Experience study was performed as follows: Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 to 2020 for post-retirement mortality.

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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 PRIT. 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, 2021 are summarized as follows:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	4.8
Core fixed income	15.0	0.3
Private equity	13.0	7.8
Portfolio completion strategies	11.0	2.9
Real estate	10.0	3.7
Value Added Fixed Income	8.0	3.9
Timber/Natural Resources	4.0	4.3
	<u>100.0</u>	

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

The discount rate used to measure the MTRS' total pension liability was 7.00 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 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.



## **CITY OF WORCESTER, MASSACHUSETTS**

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**(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 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

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

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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 2022.

#### ***(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 \$479 to MSERS in fiscal year 2022. 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, 2022, the District reported a liability of \$7,179 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021, 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 0.069% at June 30, 2022 which was consistent with the prior year.

For the year ended June 30, 2022, the District recognized pension expense of \$541. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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## Notes to the Basic Financial Statements

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 248	520
Changes in assumptions	489	-
Net difference between projected and actual earnings on plan investments	-	2,815
Changes in proportionate share of contributions	545	54
District contributions subsequent to the measurement date	479	-
Total	<u>\$ 1,761</u>	<u>3,389</u>

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

<u>Year Ended June 30</u>	
2023	\$ 68
2024	(394)
2025	(529)
2026	(773)
	<u>\$ (1,628)</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:

- 7.00 investment rate of return (formerly 7.15%);
- 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;
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020, set forward one year for females;
  - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020, set forward one year for females; and
  - Disability – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward one year.

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Experience studies dated February 27, 2014 encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
Global Equity	39.0	4.8
Core fixed income	15.0	0.3
Private equity	13.0	7.8
Portfolio completion strategies	11.0	2.9
Real estate	10.0	3.7
Value Added Fixed Income	8.0	3.9
Timber/Natural Resources	4.0	4.3
	<u>100.0</u>	

**(g) Discount Rate**

The discount rate used to measure the total pension liability was 7.00% which is a reduction from the previous rate of 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rates. Based on those assumptions, MSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as the District's proportionate share of the net pension liability using a discount rate that is 1% lower and higher than the current rate:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 10,989	\$ 7,179	\$ 4,047

### (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, 2022 is as follows:

Inactive employees currently receiving benefit payments	4,323
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>5,693</u>
Total	<u><u>10,016</u></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.

#### (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

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### Notes to the Basic Financial Statements

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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, 2022
Valuation date:	July 1, 2021
Actuarial cost method:	Entry Age Normal
Discount rate:	3.54%
Prior year discount rate	2.16%
Inflation rate:	2.40%
Salary scale:	3.50%
Healthcare/Medical cost trend rate:	7.0% increase for the next year and then decreasing to 4.0% after fifty-three 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 Retirement System's target allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	38.0	4.2
Core fixed income	15.0	0.7
Private equity	15.0	7.7
Portfolio completion strategies	10.0	3.0
Real estate	10.0	3.6
Value Added Fixed Income	8.0	4.0
Timber/Natural Resources	4.0	4.2
	<u>100.0</u>	

**Discount rate (City)** - The discount rate used to measure the total OPEB liability was 3.54 percent as of the measurement date or June 30, 2022 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 \$1,225,410 was measured as of June 30, 2022 for the year ended June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020.

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The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 1,533,889	\$ 25,775	\$ 1,508,114
Changes for the year:			
Service cost	68,398	-	68,398
Interest	34,225	-	34,225
Differences between expected and actual experience	-	-	-
Changes in assumptions/inputs	(344,646)	-	(344,646)
Employer contributions	-	6,576	(6,576)
Contributions for benefits due	-	35,597	(35,597)
Net investment income	-	(1,480)	1,480
Benefit payments	(35,597)	(35,597)	-
Administrative expenses	-	(12)	12
Net changes	<u>(277,620)</u>	<u>5,084</u>	<u>(282,704)</u>
Balances at June 30, 2022	<u>\$ 1,256,269</u>	<u>\$ 30,859</u>	<u>\$ 1,225,410</u>

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

The following presents the Net OPEB Liability calculated using the discount rate of 3.54%, 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 2.54%	No change 3.54%	1% increase 4.54%
Net OPEB liability	\$ 1,457,562	1,225,410	1,043,308

**(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



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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:

		Healthcare Trend		
		<u>1% decrease</u>	<u>No change</u>	<u>1% increase</u>
Net OPEB liability	\$	1,007,419	1,225,410	1,513,549

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$132,944.

OPEB Expense		
Service cost	\$	68,398
Interest on the Total OPEB Liability (TOL)		34,225
Projected earnings on plan investments		(1,964)
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		363
Expensed portion of changes of assumptions or other inputs		19,281
OPEB plan administrative expenses		<u>12</u>
Total OPEB expense	\$	<u>132,944</u>

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 37,345	\$ 21,855
Changes in assumptions or other inputs	263,981	293,511
Difference between expected and actual earnings on OPEB plan investments	1,882	-
Total	<u>\$ 303,208</u>	<u>\$ 315,366</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:

2023	\$	22,821
2024		13,298
2025		6,302
2026		(1,687)
2027		(15,053)
Thereafter		(37,839)
	\$	<u>(12,158)</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, 2022 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 2022 was -4.46%. 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, 2022. The components of the net OPEB liability of the District at June 30, 2022 were as follows:

Total OPEB liability	\$ 5,599
Plan fiduciary net position	(3,155)
Net OPEB liability	<u>\$ 2,444</u>

Plan fiduciary net position as a percentage of the total OPEB liability	56.3%
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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, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 5,353	\$ 3,288	\$ 2,065
Changes for the year:			
Service cost	126	-	126
Interest	388	-	388
Employer contributions	-	478	(478)
Net investment income	-	(343)	343
Benefit payments	(268)	(268)	-
Net changes	246	(133)	379
Balances at June 30, 2022	\$ 5,599	\$ 3,155	\$ 2,444

**(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.

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	Discount Rate		
	1% decrease (6.25%)	No change (7.25%)	1% increase (8.25%)
Net OPEB liability	<u>\$ 3,396</u>	<u>\$ 2,444</u>	<u>\$ 1,872</u>

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

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

	Healthcare Trend		
	1% decrease (3.50%)	No change (4.50%)	1% increase (5.50%)
Net OPEB liability	<u>\$ 2,047</u>	<u>\$ 2,444</u>	<u>\$ 3,279</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$286. At June 30, 2022, 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	\$ 678	\$ 522
Changes in assumptions	103	732
Difference between expected and actual earnings on OPEB plan investments	297	-
Total	<u>\$ 1,078</u>	<u>\$ 1,254</u>

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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:

2023	\$	8
2024		14
2025		(290)
2026		98
2027		(6)
	<u>\$</u>	<u>(176)</u>

### (10) Accounts Receivable

At June 30, 2022, 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	\$ 12,232	(6,774)	5,458
Tax liens	5,070	(503)	4,567
Motor vehicle excise taxes	5,565	(2,576)	2,989
Special assessments	2,944	-	2,944
Lease receivable	62,159	-	62,159
Departmental and other	5,704	(1,618)	4,086
	<u>93,674</u>	<u>(11,471)</u>	<u>82,203</u>
Intergovernmental	75,041	-	75,041
Total governmental funds	<u>168,715</u>	<u>(11,471)</u>	<u>157,244</u>
Internal Service Fund			
Self-insured health plan	4,230	-	4,230
Total internal service fund	<u>4,230</u>	<u>-</u>	<u>4,230</u>
Fiduciary Fund			
Departmental and other	578	-	578
Intergovernmental	1,120	-	1,120
Total fiduciary funds	<u>1,698</u>	<u>-</u>	<u>1,698</u>
Total receivables	<u>\$ 174,643</u>	<u>(11,471)</u>	<u>163,172</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

At June, 30, 2022, receivables for the enterprise funds are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<u>Receivables:</u>			
Charges for services	\$ 14,222	-	14,222
Utility liens	1,847	-	1,847
Special assessments	1,295	-	1,295
Total enterprise funds	\$ 17,364	-	17,364

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:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-property taxes			
Property taxes	\$ 3,338	-	3,338
Tax liens	4,362	-	4,362
	<u>7,700</u>	<u>-</u>	<u>7,700</u>
Unavailable revenue-other			
Special assessments	2,944	-	2,944
Departmental and other	922	3,164	4,086
Motor vehicle excise tax	2,012	-	2,012
Intergovernmental (other state)	1,005	-	1,005
	<u>6,883</u>	<u>3,164</u>	<u>10,047</u>
Deferred inflows related to lease receivable	<u>-</u>	<u>57,433</u>	<u>57,433</u>
Total deferred inflows of resources	\$ <u>14,583</u>	<u>60,597</u>	<u>75,180</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

### (11) Capital Assets

Capital asset activity for the year ended June 30, 2022 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	\$ 45,377	1,125	-	46,502
Construction in progress	200,935	107,854	233,322	75,467
Total capital assets not being depreciated	<u>246,312</u>	<u>108,979</u>	<u>233,322</u>	<u>121,969</u>
Capital assets, being depreciated:				
Buildings	976,840	239,183	27,670	1,188,353
Improvements other than buildings	239,091	19,554	-	258,645
Rolling equipment	40,949	2,569	8,493	35,025
Equipment and other	72,249	21,867	8,428	85,688
Infrastructure	368,033	17,875	80,044	305,864
	<u>1,697,162</u>	<u>301,048</u>	<u>124,635</u>	<u>1,873,575</u>
Less accumulated depreciation for:				
Buildings	405,535	34,982	27,670	412,847
Improvements other than buildings	70,068	12,220	-	82,288
Rolling equipment	31,245	2,583	8,493	25,335
Equipment and other	25,578	7,466	8,428	24,616
Infrastructure	205,968	14,718	80,044	140,642
	<u>738,394</u>	<u>71,969</u>	<u>124,635</u>	<u>685,728</u>
Total capital assets being depreciated, net	<u>958,768</u>	<u>229,079</u>	<u>-</u>	<u>1,187,847</u>
Governmental capital assets, net	<u>\$ 1,205,080</u>	<u>338,058</u>	<u>233,322</u>	<u>1,309,816</u>

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

#### Governmental activities:

General government	\$ 5,475
Public safety	3,373
Health and human services	216
Education	23,529
Public works	19,485
Culture and recreation	15,132
Community development	<u>4,759</u>
Total depreciation expense – governmental activities	<u>\$ 71,969</u>



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(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	\$ 7,956	700	-	8,656
Total capital assets, not being depreciated	7,956	700	-	8,656
Capital assets, being depreciated:				
Buildings	46,176	-	-	46,176
Rolling equipment	4,207	182	-	4,389
Infrastructure	194,288	4,384	-	198,672
Equipment and other	4,012	359	-	4,371
Total capital assets, being depreciated	248,683	4,925	-	253,608
Less accumulated depreciation for:				
Buildings	28,401	1,295	-	29,696
Rolling equipment	3,390	197	-	3,587
Infrastructure	110,774	7,124	-	117,898
Equipment and other	1,975	436	-	2,411
Total accumulated depreciation	144,540	9,052	-	153,592
Total capital assets, being depreciated, net	104,143	(4,127)	-	100,016
Water capital assets, net	112,099	(3,427)	-	108,672
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	10,876	338	-	11,214
Infrastructure	289,802	13,477	-	303,279
Equipment and other	473	-	-	473
Total capital assets, being depreciated	306,527	13,815	-	320,342
Less accumulated depreciation for:				
Buildings	3,454	208	-	3,662
Rolling equipment	8,497	678	-	9,175
Infrastructure	150,140	12,095	-	162,235
Equipment and other	467	5	-	472
Total accumulated depreciation	162,558	12,986	-	175,544
Total capital assets, being depreciated, net	143,969	829	-	144,798
Sewer capital assets, net	144,086	829	-	144,915

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(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	3,831	-	-	3,831
Total capital assets, being depreciated	4,790	-	-	4,790
Less accumulated depreciation for:				
Buildings	609	43	-	652
Infrastructure	1,608	151	-	1,759
Total accumulated depreciation	2,217	194	-	2,411
Total capital assets, being depreciated, net	2,573	(194)	-	2,379
Golf capital assets, net	2,573	(194)	-	2,379
Business-type activities capital assets, net	\$ 258,758	(2,792)	-	255,966

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component units - The District:				
Capital assets, not being depreciated				
Land	\$ 725	-	-	725
Construction in progress	5,668	65	-	5,733
Total capital assets, not being depreciated	6,393	65	-	6,458
Capital assets, being depreciated:				
Treatment facilities	279,892	624	-	280,516
Equipment and other	15,989	918	-	16,907
Total capital assets, being depreciated	295,881	1,542	-	297,423
Less accumulated depreciation for:				
Treatment facilities	130,007	7,917	-	137,924
Equipment and other	9,298	825	-	10,123
Total accumulated depreciation	139,305	8,742	-	148,047
Total capital assets, being depreciated, net	156,576	(7,200)	-	149,376
The District's capital assets, net	\$ 162,969	(7,135)	-	155,834

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(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	27	-	1,082
Construction in progress	-	73	-	73
Total capital assets not being depreciated	<u>1,055</u>	<u>100</u>	<u>-</u>	<u>1,155</u>
Capital assets, being depreciated:				
Land improvements	109	-	-	109
Buildings	48,989	-	-	48,989
Equipment	<u>119</u>	<u>-</u>	<u>-</u>	<u>119</u>
Total capital assets being depreciated	<u>49,217</u>	<u>-</u>	<u>-</u>	<u>49,217</u>
Less accumulated depreciation for:				
Land improvements	88	10	-	98
Buildings	20,340	1,256	-	21,596
Equipment	<u>74</u>	<u>1</u>	<u>-</u>	<u>75</u>
Total accumulated depreciation	<u>20,502</u>	<u>1,267</u>	<u>-</u>	<u>21,769</u>
Total capital assets being depreciated, net	<u>28,715</u>	<u>(1,267)</u>	<u>-</u>	<u>27,448</u>
WRA capital assets, net	<u>\$ 29,770</u>	<u>(1,167)</u>	<u>-</u>	<u>28,603</u>

***Construction Commitments***

The City has active construction projects as of June 30, 2022. 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, 2022</u>	<u>Remaining commitment</u>
Building improvements	\$ 223,189	239,309
Infrastructure improvements	101,846	51,189
Land improvements	<u>10,480</u>	<u>1,121</u>
Total	<u>\$ 335,515</u>	<u>291,619</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, 2022

(in thousands of dollars)

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

Net investment in capital assets at June 30, 2022 is summarized as follows:

***Governmental Activities***

Capital assets	\$ 1,995,544
Right of use assets	22,286
Less accumulated depreciation	(685,728)
Less outstanding long-term debt	(745,815)
Less lease liabilities	(24,191)
Less outstanding temporary debt	(39,990)
Add outstanding debt that is not capital related	83,422
Add unspent proceeds of capital related debt	68,863
	<u>674,391</u>
Less retainage	<u>(6,576)</u>
Net investment in capital assets	\$ <u>667,815</u>

***Business-Type Activities***

	<b>Water</b>	<b>Sewer</b>	<b>Golf Course (Nonmajor)</b>	<b>Total Enterprise Funds/ Business-Type Activities</b>
Capital assets	\$ 262,264	320,459	4,790	587,513
Less accumulated depreciation	(153,592)	(175,544)	(2,411)	(331,547)
Less outstanding long-term debt	(64,162)	(125,106)	(1,939)	(191,207)
Less outstanding temporary debt	(2,801)	(4,619)	-	(7,420)
Add unspent proceeds of capital related debt	16,763	6,732	14	23,509
	<u>58,472</u>	<u>21,922</u>	<u>454</u>	<u>80,848</u>
Less retainage	<u>(21)</u>	<u>(57)</u>	<u>-</u>	<u>(78)</u>
Net investment in capital assets	\$ <u>58,451</u>	<u>21,865</u>	<u>454</u>	<u>80,770</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

**(13) Leasing Activities - Lessor**

The City leases a baseball stadium to a tenant that is the operator of a Triple-A Minor League Baseball franchise (Team) granted by the National Association of Professional Baseball Leagues d/b/a Minor League Baseball and the corresponding interests in the International League of Professional Baseball Clubs, Inc. For the year ended June 30, 2022 the City received lease payments from Team totaling \$113. As of June 30, 2022 the present value of future lease payments totaled \$62,159.

Future minimum lease payments as of June 30, 2022 are as follows:

Year ending June 30:		Principal	Interest	Total
2023	\$	(758)	1,877	1,119
2024		529	1,886	2,415
2025		930	1,865	2,795
2026		1,008	1,836	2,844
2027		1,086	1,806	2,892
Thereafter		59,364	25,626	84,990
	\$	<u>62,159</u>	<u>34,896</u>	<u>97,055</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(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.

	<b>Outstanding beginning of year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding end of year</b>	<b>Due within one year</b>
General obligation bonds:					
Inside debt limit	\$ 238,469	58,440	24,596	272,313	30,626
Outside debt limit	364,673	118,805	23,963	459,515	25,641
Notes from direct borrowings (a)	13,974	4,550	4,537	13,987	3,591
Lease liabilities (b)	25,176	-	985	24,191	1,082
Judgments and claims	16,541	3,086	8,501	11,126	2,221
Compensated absences	15,953	15,432	15,953	15,432	10,625
Landfill closure and post closure care costs	11,078	-	172	10,906	500
Net pension liability	402,473	-	125,399	277,074	-
Net OPEB liability	1,470,615	-	275,752	1,194,863	-
Deferred amounts on bond premiums (c)	25,403	13,258	5,057	33,604	4,368
Total governmental activities long-term obligations (d)	<u>\$ 2,584,355</u>	<u>213,571</u>	<u>484,915</u>	<u>2,313,011</u>	<u>78,654</u>

(a) Beginning balance reclassified to include long term capital leases payable and other notes payable from direct borrowings.

(b) Beginning balance restated for lease liabilities.

(c) Beginning balance adjusted for reclassification of deferred amounts on bond premiums on debt refunding to deferred inflows related to debt refunding.

(d) Beginning balance adjusted for reclassification of deferred charge on debt refunding to deferred outflows of resources.

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, 2022

(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	\$ 19,795	2,698	1,723	20,770	2,220
Outside debt limit	161,975	14,677	10,107	166,545	10,662
Notes from direct borrowings	4,190	-	298	3,892	304
Judgments and claims	2,219	367	1,479	1,107	339
Compensated absences	755	775	754	776	670
Net pension liability	20,422	-	7,408	13,014	-
Net OPEB liability	37,499	-	6,952	30,547	-
Deferred amounts on bond premium (a)	6,005	1,328	726	6,607	597
Total governmental activities					
long-term obligations (b)	\$ 252,860	19,845	29,447	243,258	14,792

(a) Beginning balance adjusted for reclassification of deferred amounts on bond premiums on debt refunding to deferred inflows related to debt refunding.

(b) Beginning balance adjusted for reclassification of deferred charge on debt refunding to deferred outflows of resources.

On February 1, 2022, the City issued general obligation bonds totaling \$194,620 for current projects. The proceeds consisted of \$177,245 for governmental activities and \$17,375 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, 2022 are as follows:

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

### *Governmental Activities*

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2022
1998 General Obligation Bonds, Pension Funding Loan	\$ 220,979	6.25%	2028	\$ 81,180
2003 General Obligation Bonds, Series C	17,670	3.30% to 4.00%	2024	356
2004 General Obligation Bonds	43,110	4.50% to 5.25%	2025	3,180
2005 General Obligation Bonds, Series C	46,125	4.00% to 4.125%	2026	5,340
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	2,020
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	1,235
2011 General Obligation School Bond	10,000	2.00%	2041	6,333
2013 General Obligation Refunding	3,016	3.00% to 5.00%	2024	309
2014 General Obligation Bonds, Series A	27,609	3.00% to 5.00%	2040	1,380
2014 DCU Special Improvement District Bonds, Series B	13,979	3.125% to 4.25%	2039	505
2014 General Obligation Refunding Bonds, Series C	3,195	2.00% to 5.00%	2025	312
2014 General Obligation Refunding Bonds, Series A	4,212	2.00% to 5.00%	2040	621
2015 General Obligation Bonds, Series A	26,895	3.00% to 5.00%	2041	14,989
2015 General Obligation Bonds, Series B	17,386	2.95% to 5.00%	2033	14,394
2015 General Obligation Refunding Bonds, Series C	9,439	2.00% to 5.00%	2027	3,224
2016 General Obligation Bonds, Series A	38,677	3.00% to 5.00%	2042	25,304
2016 General Obligation Refunding Bonds, Series B	8,892	3.00% to 5.00%	2028	4,408
2017 General Obligation Refunding Bonds (Aug. 2017)	13,038	2.125% to 5.00%	2037	10,287
2017 General Obligation Refunding Bonds (Nov. 2017)	10,195	2.25% to 5.00%	2036	9,975
2018 General Obligation Bonds, Series A	55,824	3.125% to 5.00%	2043	38,863
2018 General Obligation Bonds, Series B	28,545	3.25% to 4.00%	2043	25,535
2018 General Obligation Ballpark Project Bonds	31,355	3.525% to 4.750%	2049	31,355
2019 General Obligation Bonds	39,363	3.00% to 5.00%	2044	30,620
2020 General Obligation Bonds, Series A	45,478	2.125% to 4.00%	2045	38,286
2020 General Obligation Bonds, Series B	17,695	2.125% to 5.00%	2045	17,695
2020 General Obligation Refunding Bonds (Sep. 2020)	28,415	2.00% to 5.00%	2038	23,788
2020 General Obligation Ballpark Project Bonds (Sep. 2020)	3,302	2.00% to 5.00%	2035	3,125
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	2.00% to 5.00%	2050	86,671
2021 General Obligation Refunding Bonds Series B (Mar 2021)	59,507	0.275% to 3.049%	2040	59,493
2022 General Obligation Bonds	177,245	2.125% to 5.00%	2050	177,245
Total governmental activities general obligation bonds				\$ <u>731,828</u>



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2022
2003 General Obligation Bonds, Series C	7,945	3.30% to 4.00%	2024	\$ 4
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	25
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	15
2013 General Obligation Refunding	3,444	3.00% to 5.00%	2024	741
2014 General Obligation Bonds, Series A	18,420	2.00% to 5.00%	2040	615
2014 General Obligation Refunding Bonds Series C	3,575	2.00% to 5.00%	2025	823
2014 General Obligation Refunding Bonds, Series A	9,248	2.00% to 5.00%	2040	1,144
2015 General Obligation Bonds, Series A	14,598	3.00% to 5.00%	2041	10,412
2015 General Obligation Refunding Bonds, Series C	11,216	2.00% to 5.00%	2027	5,690
2016 General Obligation Bonds, Series A	17,097	3.00% to 5.00%	2042	13,697
2016 General Obligation Refunding Bonds, Series B	6,198	3.00% to 5.00%	2028	3,897
2017 General Obligation Refunding Bonds (Aug. 2017)	6,362	2.125% to 5.00%	2037	4,443
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	10,202
2019 General Obligation Bonds	21,542	3.0% to 5.0%	2044	18,680
2020 General Obligation Bonds, Series A	22,867	2.125% to 4.0%	2045	20,404
2020 General Obligation Refunding Bonds (Sep. 2020)	17,258	2.0% to 5.0%	2038	15,467
2021 General Obligation Bonds	24,549	2.0% to 5.0%	2050	23,464
2021 General Obligation Refunding Bonds Series B (Mar 2021)	28,763	0.275% to 3.049%	2040	28,777
2022 General Obligation Bonds	177,245	2.125% to 5.0%	2050	17,375
Total business-type activities general obligation bonds				\$ <u>187,315</u>

### **Notes from Direct Borrowings**

The City has direct borrowings outstanding as of June 30, 2022 totaling \$17,879. Equipment purchased with long-term financing contracts that transfers ownership of the underlying assets to the lessee at the end of the contract totaled \$12,546. 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 \$1,441. The City has loan agreements with the Massachusetts Clean Water Trust MCWT) to fund sewer separation and water pollution abatement projects in the amount of \$3,892.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

***Governmental Activities – Financed Purchases of Equipment***

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2022
Public Safety / equipment	\$ 7,671	3.81%	2030	\$ 5,219
Public Safety / equipment	3,790	3.00%	2026	2,290
Public Safety / equipment	2,650	3.81%	2024	1,079
Educational / school buses	1,372	3.88%	2024	649
Educational / school buses	794	3.88%	2024	271
Educational / equipment	1,930	5.03%	2023	468
Educational / equipment	962	4.73%	2024	312
Educational / school buses	729	3.88%	2025	381
Educational / school buses	748	3.88%	2026	493
Educational / school buses	761	2.34%	2027	629
Educational / equipment	1,517	1.23%	2023	386
General government / equipment	655	3.41%	2024	270
General government / equipment	244	3.81%	2024	99
	<u>\$ 23,823</u>			<u>\$ 12,546</u>

***Capital assets acquired***

Furniture and equipment	\$ 19,419
Rolling equipment	<u>4,404</u>
Total assets	23,823
Less: accumulated depreciation	<u>(10,187)</u>
Total	<u>\$ 13,636</u>

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

	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2022
2015 - A series loan	\$ 2,030	2.635% to 2.85%	2025	\$ <u>1,441</u>
				\$ <u>1,441</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2022</u>
2006 clean water loan to sewer fund \$	949	4.90%	2024	\$ 147
2014 clean water loan to sewer fund	851	2.00%	2033	534
2015 clean water loan to sewer fund	562	2.00%	2035	392
2016 clean water loan to sewer fund	1,048	2.00%	2036	780
2017 clean water loan to sewer fund	2,671	2.00%	2037	2,039
				<u>\$ 3,892</u>

### ***Lease Liabilities***

The City has entered into leasing arrangements for the right to use real property for its educational and public safety activities. The following are the existing long-term leasing arrangements as of June 30, 2022 and the underlying amount of lease assets.

<u>Type / activity</u>	<u>Fiscal year of lease term</u>	<u>Interest Rate</u>	<u>Lease Liability June 30, 2022</u>
Facility for job training	2026	3.0%	\$ 958
Land for Radio Tower	2025	3.0%	68
School bus depot	2041	3.0%	22,444
Facility for schools	2024	3.0%	386
Parking lot for schools	2025	3.0%	179
Facility for schools	2025	3.0%	156
Total Lease Liability			<u>\$ 24,191</u>

### **Right to use leased assets**

	<u>Unamortized Balance at June 30, 2021*</u>	<u>Amortization Expense</u>	<u>Unamortized Balance at June 30, 2022</u>
Facilities	\$ 2,114	(530)	1,584
Land	<u>23,016</u>	<u>(2,314)</u>	<u>20,702</u>
	<u>\$ 25,130</u>	<u>(2,844)</u>	<u>22,286</u>

\* restated

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

Bond indebtedness outstanding at June 30, 2022 matures as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>			
	<b>Governmental Funds</b>		<b>Water</b>		<b>Sewer</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:						
2023	\$ 56,267	27,558	5,131	2,136	7,424	3,818
2024	56,425	24,929	5,163	1,906	7,214	3,495
2025	54,139	22,376	4,874	1,698	7,164	3,226
2026	51,701	19,919	4,700	1,506	6,601	2,962
2027	48,645	17,550	4,093	1,327	6,126	2,740
2028-2032	159,758	61,385	14,402	4,734	26,085	10,906
2033-2037	114,019	37,799	12,299	2,857	28,022	6,927
2038-2042	90,900	22,203	9,568	1,283	22,671	3,151
2043-2047	70,254	10,181	3,933	228	9,907	606
2048-2050	29,720	1,555	-	-	-	-
	<u>\$ 731,828</u>	<u>245,455</u>	<u>64,163</u>	<u>17,675</u>	<u>121,214</u>	<u>37,831</u>

	<b>Business-type activities</b>		<b>Business-type</b>	
	<b>Golf course (nonmajor)</b>		<b>activities totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2023	\$ 327	74	12,882	6,028
2024	167	60	12,544	5,461
2025	172	53	12,210	4,977
2026	175	46	11,476	4,514
2027	170	39	10,389	4,106
2028-2032	721	105	41,208	15,745
2033-2037	148	18	40,469	9,802
2038-2042	52	5	32,291	4,439
2043-2047	6	-	13,846	834
2048-2050	-	-	-	-
	<u>\$ 1,938</u>	<u>400</u>	<u>187,315</u>	<u>55,906</u>

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the direct borrowings for financed equipment purchases, HUD Section 108 Loans and MCWT loans as of June 30, 2022 are as follows:

Year ending June 30:	<b>Governmental activities</b>					
	<b>Principal</b>	<b>Interest</b>				
2023	\$ 3,594	470				
2024	2,995	350				
2025	2,746	234				
2026	1,391	168				
2027	715	123				
2028-2032	2,546	236				
	<u>\$ 13,987</u>	<u>1,581</u>				

Year ending June 30:	<b>Business-type activities</b>				<b>Business-type activities totals (net)</b>	
			<b>Sewer</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Anticipated subsidy</b>		<b>Principal</b>	<b>Interest</b>
			<b>Principal</b>	<b>Interest</b>		
2023	\$ 308	80	4	4	304	76
2024	313	71	5	-	308	71
2025	245	66	-	-	245	66
2026	250	62	-	-	250	62
2027	256	56	-	-	256	56
2028-2032	1,364	201	-	-	1,364	201
2033-2037	1,156	64	-	-	1,156	64
	<u>\$ 3,892</u>	<u>600</u>	<u>9</u>	<u>4</u>	<u>3,883</u>	<u>596</u>

The future maturities of lease liabilities are as follows:

Year ending June 30:	<b>Governmental activities</b>	
	<b>Governmental Funds</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 1,082	786
2024	1,196	718
2025	1,059	660
2026	903	620
2027	769	593
2028-2032	4,879	2,570
2033-2037	7,762	1,816
2038-2042	6,541	405
	<u>\$ 24,191</u>	<u>8,168</u>

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

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

Authorized and unissued debt at June 30, 2022 is as follows:

Inside debt limit:		
Building rehabilitation	\$	110,472
Parks improvements		43,706
Off-street parking		37,798
Street and sidewalk construction		40,393
Departmental equipment		31,611
Other		19,938
Total inside debt limit		<u>283,918</u>
Outside debt limit:		
School construction		291,636
Sewer		93,019
Water		90,361
DCU Center improvements		20,965
CitySquare		21,076
Ballpark construction		209
Other		920
Total outside debt limit		<u>518,186</u>
Total inside and outside debt limit	\$	<u><u>802,104</u></u>

At June 30, 2022, in addition to debt authorized but unissued, the City may issue \$194,305 of additional inside debt under the normal debt (5%) limit. The City had \$626,060 of outstanding debt exempt from or outside the debt limit.

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

Proceeds of the advanced refunding bonds issued in prior years will be used to defease certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2022, \$66,305 of bonds outstanding is considered defeased.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

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

	<u>Outs tanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outs tanding end of year</u>	<u>Due within one year</u>
General obligation bonds:	\$ 16,535	-	1,855	14,680	1,910
Direct borrowings and placements	129,298	-	6,849	122,449	6,784
Unamortized bond premiums	868	-	164	704	132
Total long-term debt	146,701	-	8,868	137,833	8,826
Compensated absences	616	7	23	600	421
Net OPEB liability	2,065	3,255	2,876	2,444	-
Net pension liability	11,235	2,481	6,537	7,179	-
	<u>\$ 160,617</u>	<u>5,743</u>	<u>18,304</u>	<u>148,056</u>	<u>9,247</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, 2022

(in thousands of dollars)

General obligation bonds and notes payable of the District consisted of the following at June 30, 2022:

Purpose/Type	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2022
2012 General Obligation Bonds	2.00% - 4.00%	2040	\$ 2,340
2016 General Obligation Bonds	2.00% - 3.00%	2032	3,725
2019 General Obligation Bonds	2.00% - 3.00%	2036	4,755
2015 General Obligation Bonds	5.00%	2023	730
2016 General Obligation Bonds	2.00% - 3.00%	2028	3,130
MCWT CW-03-14 - December 2006	2.00%	2035	26,248
MCWT CW-03-14A - December 2006	2.35%	2035	3,398
MCWT CW-06-17 - March 2007	2.00%	2037	15,365
MCWT CW-06-17-A - December 2007	2.41%	2038	7,475
MCWT CW-06-17-B - March 2009	2.42%	2039	15,097
MCWT CW-06-17-C - June 2012	2.40%	2041	15,573
MCWT CWS-09-18 - July 2010	2.40%	2041	5,191
MCWT CWS-09-18-A - May 2014	2.00%	2033	11,987
MCWT CWP-16-39 - September 2018	2.00%	2038	7,364
MCWT CWP-16-39-A - October 2019	2.00%	2039	13,134
MCWT CWP-16-39-B - October 2019	2.00%	2039	1,617
Total District general obligation bonds and direct borrowings			\$ <u>137,129</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:				
2023	\$ 1,910	414	6,784	3,279
2024	1,205	348	6,965	3,091
2025	1,230	318	7,149	2,886
2026	1,255	288	7,340	2,588
2027	1,280	256	7,535	2,372
2028-2032	4,495	783	40,763	8,538
2033-2037	2,525	265	35,486	3,020
2038-2041	780	29	10,427	383
	\$ <u>14,680</u>	<u>2,701</u>	<u>122,449</u>	<u>26,157</u>



**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

*Authorized But Unissued Debt* – At June 30, 2022, there were no amounts authorized but unissued for long-term debt of the District.

**(g) Discretely Presented Component Units (WRA)**

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

Details related to notes payable to the City at June 30, 2022, are as follows:

<b>Project</b>	<b>Outstanding at June 30, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding at June 30, 2022</b>
Union Station - Building Fit Out	\$ 6,515	505	-	7,020
Union Station - Operating	8,106	403	-	8,509
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	334	27	-	361
Total	<u>\$ 15,518</u>	<u>935</u>	<u>-</u>	<u>16,453</u>

Debt service requirements in future fiscal years are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 15,545	5,291	20,836
2023	<u>908</u>	<u>162</u>	<u>1,070</u>
Total	<u>\$ 16,453</u>	<u>5,453</u>	<u>21,906</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(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, 2022 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$4,518.

At June 30, 2022, BANS totaling \$47,410 with interest rates of 3.00% and maturing March 1, 2023 were outstanding. The following is a summary of changes in temporary loans:

	<b>Outstanding as of June 30, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2022</b>
Bond anticipation notes payable:				
General	\$ 163,330	66,300	189,640	39,990
Water	6,589	3,776	7,564	2,801
Sewer	14,018	6,475	15,874	4,619
Total	<u>\$ 183,937</u>	<u>76,551</u>	<u>213,078</u>	<u>47,410</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, 2022.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

At June 30, 2022, there was a receivable and payable between the general fund and major and nonmajor governmental funds in the amounts of \$37,313. Transfers and their purposes during the year ended June 30, 2022 were as follows:

	Governmental Funds					Proprietary Funds		
	General Fund	Debt Service Fund	School Construction Fund	City Grants	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget								
General fund to fund debt payments	\$ (17,298)	17,298	-	-	-	-	-	-
Chapter 90 to fund DPW engineering & st. ops.	521	-	-	-	(521)	-	-	-
General fund to subsidize golf fund	(100)	-	-	-	-	-	-	100
Sewer connection fees to fund DPW engineering	119	-	-	-	(119)	-	-	-
Trust fund to general fund for cemetery debt	59	-	-	-	(59)	-	-	-
Golf fund to fund pension obligation bonds	18	-	-	-	-	-	-	(18)
Sewer fund to fund pension obligation bonds	506	-	-	-	-	-	(506)	-
Water fund to fund pension obligation bonds	673	-	-	-	-	(673)	-	-
Sub-total	(15,502)	17,298	-	-	(699)	(673)	(506)	82
Subsequent transfers:								
General fund to fund debt payments	(1,738)	1,333	405	-	-	-	-	-
Insurance settlement fund for city vehicles	45	-	-	-	11	-	-	-
Insurance settlement fund for city vehicles	-	-	-	-	(56)	-	-	-
Premium on loans to fund debt issuance costs	800	-	-	-	(800)	-	-	-
Parking receipts to Ballpark DIF	-	488	-	-	(488)	-	-	-
Parking receipts to fund off-street parking ops.	-	-	-	-	3,380	-	-	-
Parking receipts to fund off-street parking ops.	-	-	-	-	(3,380)	-	-	-
PEG access to general fund and special revenue	477	-	-	1,225	276	-	-	-
PEG access to general fund and special revenue	-	-	-	-	(1,978)	-	-	-
General fund to capital proj. for parking equip.	(400)	-	-	-	400	-	-	-
Greenwood St landfill res. for remediation	-	-	-	450	(450)	-	-	-
Transfers among capital projects	-	-	-	-	81	-	-	-
Transfers among capital projects	-	-	-	-	(81)	-	-	-
Transfers among permanent funds	-	-	-	-	134	-	-	-
Transfers among permanent funds	-	-	-	-	(134)	-	-	-
Sewer connection fees to sewer fund	-	-	-	-	(750)	-	750	-
Water retained earnings to water capital project	-	-	-	-	-	3,991	-	-
Water retained earnings to water capital project	-	-	-	-	-	(3,991)	-	-
Ride share fees to resurfacing capital projects	-	-	-	-	242	-	-	-
Ride share fees to resurfacing capital projects	-	-	-	-	(242)	-	-	-
General fund to enterprise for operations	(349)	-	-	-	-	153	180	16
OPEB employer contributions	(175)	-	-	-	-	121	52	2
Total transfers, net	\$ (16,842)	19,119	405	1,675	(4,534)	(399)	476	100

### (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.

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(in thousands of dollars)

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 submitted a Request for Modification of the AOC schedule, to make it consistent with the IP, to the EPA in September 2020. Negotiations to adopt the IP schedule in a new enforcement order are underway; to accommodate these negotiations, the Phase B construction deadline has been extended several times.

#### **(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.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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, 2022 and 2021 were as follows:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Health claims, beginning of year	\$ 8,243	7,474
Incurred claims	112,770	105,043
Payments of claims attributable to events of the current and prior fiscal years	<u>(112,837)</u>	<u>(104,274)</u>
Health claims, end of year	<u><u>\$ 8,176</u></u>	<u><u>8,243</u></u>

Changes in judgments and claims liability for the years ended June 30, 2022 and 2021 were as follows:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Judgments and claims, beginning of year	\$ 18,760	18,387
Additions to estimated claims liability	3,453	5,832
Payments of claims attributable to events of the current and prior fiscal years, and reductions to previous estimated liabilities:		
Court judgments and legal settlements	(5,800)	(2,428)
Workers' compensation	<u>(4,180)</u>	<u>(3,031)</u>
Judgments and claims, end of year	<u><u>\$ 12,233</u></u>	<u><u>18,760</u></u>

Judgments and claims consisted of the following at June 30:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Workers' compensation	\$ 10,697	12,210
Court judgments and legal settlements	<u>1,536</u>	<u>6,550</u>
	<u><u>\$ 12,233</u></u>	<u><u>18,760</u></u>

The fiscal 2022 liability for judgments and claims consists of governmental and business-type activities in the amount of \$11,126 and \$1,107, 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, 2022 and 2021, 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, 2022

(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:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>School Construction Fund</u>	<u>City Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>						
Permanent fund principal.....	\$ -	-	-	-	15,779	15,779
<b>Restricted:</b>						
DCU Center operations.....	-	-	-	-	733	733
School lunch.....	-	-	-	-	10,352	10,352
Off-street parking.....	-	-	-	-	418	418
City revolving funds.....	-	-	-	-	10,402	10,402
School grants.....	-	-	-	-	7,619	7,619
School revolving funds.....	-	-	-	-	5,601	5,601
Community development.....	-	-	-	-	59	59
MassHire Central Region Workforce...	-	-	-	-	1,287	1,287
City grants.....	-	-	-	13,472	-	13,472
Capital.....	-	-	-	-	12,959	12,959
Permanent fund expendable.....	-	-	-	-	8,432	8,432
Sub-total - Restricted.....	-	-	-	13,472	57,862	71,334
<b>Committed:</b>						
Debt service.....	-	42,043	-	-	-	42,043
Receipts reserved.....	-	-	-	-	29,160	29,160
Sub-total - Committed.....	-	42,043	-	-	29,160	71,203
<b>Unassigned.....</b>	<u>82,472</u>	<u>-</u>	<u>(29,225)</u>	<u>-</u>	<u>(846)</u>	<u>52,401</u>
Total fund balances.....	<u>\$ 82,472</u>	<u>42,043</u>	<u>(29,225)</u>	<u>13,472</u>	<u>101,955</u>	<u>210,717</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

**(20) Fund Deficits**

The following funds had deficits at June 30, 2022. These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

Major Funds

School construction	\$	29,225
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Nonmajor Funds

**Special Revenue Funds:**

Police auxiliary	\$	846
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**Proprietary Funds:**

Golf course enterprise		224
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# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(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:

	<b>Pension Trust Funds (As of 12/31/21)</b>	<b>OPEB Trust Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 17,018	101	17,119
Investments, at fair value:			
Fixed income	118,510	-	118,510
Pooled equities	349,120	-	349,120
Pooled fixed income	44,064	-	44,064
External investment pool	467,407	30,892	498,299
Real estate	80,156	-	80,156
Alternative investments	266,708	-	266,708
<b>Total investments</b>	<u>1,325,965</u>	<u>30,892</u>	<u>1,356,857</u>
Receivables:			
Accrued interest and dividends	442	-	442
Due from Commonwealth of Massachusetts and other systems	1,120	-	1,120
Receivable for securities sold	18	-	18
Other receivables	118	-	118
<b>Total receivables</b>	<u>1,698</u>	<u>-</u>	<u>1,698</u>
<b>Total assets</b>	<u>1,344,681</u>	<u>30,993</u>	<u>1,375,674</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	180	134	314
Due to Commonwealth of Massachusetts and other systems	3,711	-	3,711
Payable for securities purchased	2,280	-	2,280
<b>Total liabilities</b>	<u>6,171</u>	<u>134</u>	<u>6,305</u>
<b>Net position:</b>			
Net position restricted for pensions	\$ <u>1,338,510</u>	<u>30,859</u>	<u>1,369,369</u>



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2022

(in thousands of dollars)

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

	<b>Pension Trust Funds (As of 12/31/21)</b>	<b>OPEB Trust Fund</b>	<b>Total</b>
<b>Additions:</b>			
Contributions from:			
Employers	\$ 59,025	42,173	101,198
Plan members	20,012	-	20,012
Total contributions	<u>79,037</u>	<u>42,173</u>	<u>121,210</u>
Investment earnings:			
Interest and dividends	24,222	571	24,793
Net realized and unrealized gains	204,649	(2,019)	202,630
Less: management fees	(7,403)	(32)	(7,435)
Net investment income	<u>221,468</u>	<u>(1,480)</u>	<u>219,988</u>
Other	3,080	-	3,080
<b>Total additions</b>	<u>303,585</u>	<u>40,693</u>	<u>344,278</u>
<b>Deductions:</b>			
Benefit payments to plan members and beneficiaries	92,268	35,597	127,865
Reimbursements to other systems	2,172	-	2,172
Refunds and transfers of plan member accounts to other systems	4,114	-	4,114
Administrative expenses	568	12	580
<b>Total deductions</b>	<u>99,122</u>	<u>35,609</u>	<u>134,731</u>
<b>Net increase (decrease) in net position</b>	<u>204,463</u>	<u>5,084</u>	<u>209,547</u>
Net position restricted for pensions – beginning	1,134,047	25,775	1,159,822
Net position restricted for pensions – ending	<u>\$ 1,338,510</u>	<u>30,859</u>	<u>1,369,369</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, 2022, Worcester had tax abatement agreements with twenty-eight entities with eighteen of those entities receiving abatements in fiscal year 2022, and ten entities whose abatement will begin after fiscal year 2022 upon completion of the projects. The City's policy is to disclose individual tax abatement agreements in which the

## **CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2022

(in thousands of dollars)

amount abated in fiscal year 2022 exceeded 10% of the total abatements made by the City in fiscal year 2022. In fiscal year 2022, Worcester abated property taxes totaling \$3,890. Detailed below are the tax abatement agreements that each exceed 10% of the total amount abated:

- 1 Mercantile St – a 94% 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 \$793, which accounts for 17% of total abatements in fiscal year 2022. 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 56% 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 \$617, which accounts for 13% of total abatements in fiscal 2022. 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 46% 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 \$830, which accounts for 18% of total abatements in fiscal 2022. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EOA.

#### **(23) Restatement (City)**

The City's net position (governmental activities) on June 30, 2021 was restated to include \$46 in lease liability net of right of use assets as a result of the implementation of GASB 87.

#### **(24) Prior Period Reclassifications of Major and Nonmajor Funds**

The beginning fund balances of the rehabilitation of public buildings, baseball stadium and nonmajor governmental funds have been restated from (\$16,510), (\$52,434) and \$77,476, respectively, to reflect the reclassification of the rehabilitation of public buildings and baseball stadium from major 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, 2022  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 340,799,617	341,617,661	342,563,303	945,642
Motor vehicle excise taxes	15,500,000	15,500,000	18,747,593	3,247,593
Penalties and interest on taxes:				
Property taxes	890,000	890,000	1,190,366	300,366
Tax titles	76,000	76,000	189,483	113,483
Motor vehicle excise	986,500	986,500	1,252,070	265,570
Special assessments	150,000	150,000	240,288	90,288
	2,102,500	2,102,500	2,872,207	769,707
Other taxes and in-lieu payments:				
In lieu of taxes	700,000	700,000	464,906	(235,094)
Special assessments	400,000	400,000	865,589	465,589
Cannabis excise	500,000	700,000	1,910,529	1,210,529
Meals tax	3,000,000	3,000,000	3,640,986	640,986
Hotel/motel tax	1,000,000	800,000	750,956	(49,044)
	5,600,000	5,600,000	7,632,966	2,032,966
Licenses and permits:				
Clerk	188,100	188,100	334,835	146,735
Inspectional services	4,484,700	4,484,700	6,188,202	1,703,502
Fire	203,700	203,700	244,135	40,435
Health	481,800	481,800	633,944	152,144
License Commission:				
Liquor & common victualer	766,800	766,800	804,406	37,606
Other	69,000	69,000	103,021	34,021
Police	77,350	77,350	81,322	3,972
Public Works	201,000	201,000	283,631	82,631
	6,472,450	6,472,450	8,673,496	2,201,046
Intergovernmental:				
State local aid	341,555,202	344,267,947	343,566,125	(701,822)
State school construction aid	4,736,217	4,736,217	4,736,218	1
State school busing assistance	-	-	411,985	411,985
School based Federal Medicaid	2,500,000	2,500,000	3,011,316	511,316
Federal indirect cost reimbursements	700,000	700,000	1,454,201	754,201
	349,491,419	352,204,164	353,179,845	975,681

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	1,512,288	(143,712)
Court fines	744,000	744,000	411,633	(332,367)
	<u>2,400,000</u>	<u>2,400,000</u>	<u>1,923,921</u>	<u>(476,079)</u>
Investment earnings	1,000,000	1,000,000	365,232	(634,768)
Charges for services:				
Airport land lease	110,000	110,000	100,000	(10,000)
Assessor	10,000	10,000	204,060	194,060
Clerk	647,500	647,500	632,368	(15,132)
Communications	1,000	1,000	-	(1,000)
Elections	-	-	267	267
Elder Affairs	48,000	48,000	77,207	29,207
Fire	307,250	307,250	291,631	(15,619)
Health	500	500	134,289	133,789
Hope Cemetery	460,000	460,000	433,992	(26,008)
Library	2,500	2,500	2,352	(148)
Marijuana host agreement fees	750,000	750,000	2,173,723	1,423,723
Parks	59,500	59,500	57,189	(2,311)
Planning	142,000	142,000	133,683	(8,317)
Police	758,000	758,000	1,018,460	260,460
Public Works	100	100	137,687	137,587
Records Request	500	500	-	(500)
Schools	9,000	9,000	1,260	(7,740)
Solar Renewable Energy Certificates	1,000,000	1,000,000	1,652,357	652,357
Towing contracted revenue	275,000	275,000	243,717	(31,283)
Trailer coach park	5,000	5,000	3,774	(1,226)
Trash bags	3,750,000	3,750,000	4,759,068	1,009,068
Treasurer	16,000	16,000	604,093	588,093
	<u>8,351,850</u>	<u>8,351,850</u>	<u>12,661,177</u>	<u>4,309,327</u>
Miscellaneous	1,350,000	8,446,459	10,378,868	1,932,409
<b>Total revenues</b>	<b>733,067,836</b>	<b>743,695,084</b>	<b>758,998,608</b>	<b>15,303,524</b>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government:				
Council:				
Salaries	\$ 429,578	374,578	373,356	1,222
Ordinary maintenance	24,259	24,259	23,875	384
	<u>453,837</u>	<u>398,837</u>	<u>397,231</u>	<u>1,606</u>
Mayor's staff:				
Salaries	143,676	149,576	149,482	94
Ordinary maintenance	10,100	10,100	6,556	3,544
	<u>153,776</u>	<u>159,676</u>	<u>156,038</u>	<u>3,638</u>
City Manager:				
Salaries and overtime	1,403,852	1,564,608	1,549,168	15,440
Ordinary maintenance	252,900	252,900	210,252	42,648
	<u>1,656,752</u>	<u>1,817,508</u>	<u>1,759,420</u>	<u>58,088</u>
Economic Development:				
Salaries	1,748,688	1,501,634	1,413,767	87,867
Ordinary maintenance	412,554	462,554	409,488	53,066
	<u>2,161,242</u>	<u>1,964,188</u>	<u>1,823,255</u>	<u>140,933</u>
Auditor:				
Salaries and overtime	540,961	560,061	559,492	569
Ordinary maintenance	91,735	90,735	87,915	2,820
	<u>632,696</u>	<u>650,796</u>	<u>647,407</u>	<u>3,389</u>
Administration & Finance:				
Salaries	650,373	650,373	638,880	11,493
Ordinary maintenance	132,127	156,127	136,407	19,720
	<u>782,500</u>	<u>806,500</u>	<u>775,287</u>	<u>31,213</u>
Treasurer and Collector:				
Salaries and overtime	1,236,917	1,091,917	1,062,469	29,448
Ordinary maintenance	719,605	1,519,132	1,457,322	61,810
	<u>1,956,522</u>	<u>2,611,049</u>	<u>2,519,791</u>	<u>91,258</u>
Assessor:				
Salaries	639,183	463,940	462,940	1,000
Ordinary maintenance	284,989	452,250	443,296	8,954
	<u>924,172</u>	<u>916,190</u>	<u>906,236</u>	<u>9,954</u>
Law:				
Salaries	1,184,146	1,024,145	971,907	52,238
Ordinary maintenance	168,250	588,250	361,273	226,977
Casualty insurance	166,824	341,824	325,484	16,340
Court judgments	4,000,000	4,995,000	4,944,005	50,995
	<u>5,519,220</u>	<u>6,949,219</u>	<u>6,602,669</u>	<u>346,550</u>
				(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	\$ 695,296	750,296	741,477	8,819
Ordinary maintenance	54,700	54,700	50,454	4,246
	<u>749,996</u>	<u>804,996</u>	<u>791,931</u>	<u>13,065</u>
Election Commission:				
Salaries and overtime	653,746	635,096	610,507	24,589
Ordinary maintenance	145,925	208,425	208,165	260
Capital outlay	-	134,500	116,900	17,600
	<u>799,671</u>	<u>978,021</u>	<u>935,572</u>	<u>42,449</u>
Public Facilities				
Salaries and overtime	658,590	800,949	791,883	9,066
Ordinary maintenance	1,129,416	1,735,185	1,627,085	108,100
Capital outlay	100,000	282,762	219,268	63,494
	<u>1,888,006</u>	<u>2,818,896</u>	<u>2,638,236</u>	<u>180,660</u>
Sustainability & Resilience				
Salaries and overtime	126,138	216,878	193,226	23,652
Ordinary maintenance	172,510	327,510	223,611	103,899
Capital outlay	-	48,527	38,296	10,231
	<u>298,648</u>	<u>592,915</u>	<u>455,133</u>	<u>137,782</u>
Purchasing:				
Salaries	216,874	216,874	183,969	32,905
Ordinary maintenance	16,920	16,920	7,024	9,896
	<u>233,794</u>	<u>233,794</u>	<u>190,993</u>	<u>42,801</u>
Technical Services:				
Salaries and overtime	2,982,406	2,549,664	2,549,057	607
Ordinary maintenance	2,780,230	3,569,146	3,552,365	16,781
Capital outlay	300,000	300,000	300,000	-
	<u>6,062,636</u>	<u>6,418,810</u>	<u>6,401,422</u>	<u>17,388</u>
Human Resources:				
Salaries and overtime	1,142,344	1,033,934	1,019,046	14,888
Ordinary maintenance	411,549	500,959	498,375	2,584
	<u>1,553,893</u>	<u>1,534,893</u>	<u>1,517,421</u>	<u>17,472</u>
Diversity & Inclusion:				
Salaries	159,839	90,739	90,456	283
Ordinary maintenance	323,800	357,785	347,836	9,949
	<u>483,639</u>	<u>448,524</u>	<u>438,292</u>	<u>10,232</u>
Total general government	<u>26,311,000</u>	<u>30,104,812</u>	<u>28,956,334</u>	<u>1,148,478</u>

(Continued)



**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	\$ 49,916,334	53,996,859	53,996,859	-
Ordinary maintenance	2,738,657	2,972,221	2,960,276	11,945
Capital outlay	112,300	1,558,300	1,531,370	26,930
	<u>52,767,291</u>	<u>58,527,380</u>	<u>58,488,505</u>	<u>38,875</u>
Fire:				
Salaries and overtime	40,001,037	43,689,413	43,689,412	1
Ordinary maintenance	1,676,175	2,069,878	2,002,134	67,744
Capital outlay	143,000	124,840	41,438	83,402
	<u>41,820,212</u>	<u>45,884,131</u>	<u>45,732,984</u>	<u>151,147</u>
Inspectional services:				
Salaries and overtime	3,875,742	3,814,455	3,753,110	61,345
Ordinary maintenance	280,285	300,285	263,337	36,948
Capital outlay	-	-	-	-
	<u>4,156,027</u>	<u>4,114,740</u>	<u>4,016,447</u>	<u>98,293</u>
Communications:				
Salaries and overtime	2,633,050	2,214,191	2,026,080	188,111
Ordinary maintenance	1,108,218	1,244,918	1,227,712	17,206
Capital outlay	-	67,300	67,241	59
	<u>3,741,268</u>	<u>3,526,409</u>	<u>3,321,033</u>	<u>205,376</u>
Total public safety	<u>102,484,798</u>	<u>112,052,660</u>	<u>111,558,969</u>	<u>493,691</u>
Health and human services:				
Public Health				
Salaries and overtime	800,800	801,100	771,435	29,665
Ordinary maintenance	123,400	123,400	96,114	27,286
	<u>924,200</u>	<u>924,500</u>	<u>867,549</u>	<u>56,951</u>
Health and Human Services				
Salaries	999,979	1,104,979	983,005	121,974
Ordinary maintenance	3,038,656	1,763,656	1,504,435	259,221
	<u>4,038,635</u>	<u>2,868,635</u>	<u>2,487,440</u>	<u>381,195</u>
Elder Affairs:				
Salaries	508,925	512,425	512,198	227
Ordinary maintenance	315,557	315,557	222,007	93,550
	<u>824,482</u>	<u>827,982</u>	<u>734,205</u>	<u>93,777</u>
Workforce Development Board:				
Salaries	100,000	79,503	78,621	882
Ordinary maintenance	100,000	120,497	118,462	2,035
	<u>200,000</u>	<u>200,000</u>	<u>197,083</u>	<u>2,917</u>
Total health and human services	<u>5,987,317</u>	<u>4,821,117</u>	<u>4,286,277</u>	<u>534,840</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	\$ 245,009,432	247,235,286	247,235,286	-
Ordinary maintenance	39,102,056	43,280,826	43,280,825	1
Capital outlay	353,428	322,989	322,989	-
	<u>284,464,916</u>	<u>290,839,101</u>	<u>290,839,100</u>	<u>1</u>
Public Schools, Non Net School Spending (excluding fringe benefits):				
Salaries and overtime	5,908,221	5,987,019	5,987,019	-
Ordinary maintenance	19,215,099	17,606,837	17,606,837	-
Capital outlay	-	731,982	731,982	-
	<u>25,123,320</u>	<u>24,325,838</u>	<u>24,325,838</u>	<u>-</u>
Total education (excluding fringes)	<u>309,588,236</u>	<u>315,164,939</u>	<u>315,164,938</u>	<u>1</u>
Public works:				
Department of Public Works:				
Salaries and overtime	6,726,591	6,075,697	5,742,703	332,994
Ordinary maintenance	9,332,128	9,988,902	9,488,444	500,458
Capital outlay	-	7,057,000	6,844,027	212,973
Snow and ice removal	6,000,000	4,726,605	4,485,995	240,610
Street lighting	1,495,490	1,495,490	1,431,327	64,163
	<u>23,554,209</u>	<u>29,343,694</u>	<u>27,992,496</u>	<u>1,351,198</u>
Union Station (WRA):				
Ordinary maintenance	403,305	403,305	403,305	-
Total public works	<u>23,957,514</u>	<u>29,746,999</u>	<u>28,395,801</u>	<u>1,351,198</u>
Culture and recreation:				
Parks and Cemetery:				
Salaries and overtime	4,682,394	4,709,227	4,458,151	251,076
Ordinary maintenance	2,122,000	2,547,000	2,532,790	14,210
Capital outlay	-	-	-	-
	<u>6,804,394</u>	<u>7,256,227</u>	<u>6,990,941</u>	<u>265,286</u>
Public Library:				
Salaries and overtime	4,374,080	4,375,622	4,308,510	67,112
Ordinary maintenance	1,897,948	1,937,948	1,838,342	99,606
Capital outlay	5,500	5,500	5,413	87
	<u>6,277,528</u>	<u>6,319,070</u>	<u>6,152,265</u>	<u>166,805</u>
Auditorium:				
Ordinary maintenance	90,200	140,200	124,949	15,251
Total culture and recreation	<u>13,172,122</u>	<u>13,715,497</u>	<u>13,268,155</u>	<u>447,342</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	\$ -	54,471	54,471	-
Regional Transit Authority	3,485,912	3,485,912	3,485,912	-
Mosquito control	174,864	174,854	174,854	-
Air pollution control	46,731	46,731	46,731	-
Charter schools	31,203,984	31,612,921	30,395,701	1,217,220
School choice	3,397,816	3,406,130	3,655,254	(249,124)
Special education - Chapter 766	-	198,440	212,177	(13,737)
Registry parking ticket surcharge	412,400	412,400	346,560	65,840
Total intergovernmental	38,721,707	39,391,859	38,371,660	1,020,199
Debt service:				
Principal	25,292,194	23,795,898	23,516,169	279,729
Interest	11,564,108	11,884,692	10,269,552	1,615,140
Pension obligation bond:				
Municipal departments (P&I)	10,331,052	10,331,052	10,330,740	312
Enterprise funds (P&I)	1,196,903	1,196,903	1,196,903	-
Public schools (P&I)	5,111,420	5,111,420	5,111,420	-
Total debt service	53,495,677	52,319,965	50,424,784	1,895,181
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	33,526,380	33,526,380	33,455,459	70,921
Public Schools	16,622,887	16,576,016	16,576,016	-
Noncontributory pensions:				
Municipal departments	-	-	-	-
Public Schools	12,000	-	-	-
	50,161,267	50,102,396	50,031,475	70,921

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022  
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	\$ 1,247,000	1,219,912	743,197	476,715
Public Schools	678,461	488,167	488,167	-
Public safety injured on duty	801,936	1,009,024	1,009,024	-
Unemployment compensation:				
Municipal departments	101,000	116,000	105,450	10,550
Public Schools	522,637	205,720	205,720	-
	<u>3,351,034</u>	<u>3,038,823</u>	<u>2,551,558</u>	<u>487,265</u>
Group insurance:				
Municipal departments	28,711,109	28,749,482	28,202,701	546,781
Public Schools	53,679,501	50,925,826	50,925,826	-
	<u>82,390,610</u>	<u>79,675,308</u>	<u>79,128,527</u>	<u>546,781</u>
Total fringe benefits	135,902,911	132,816,527	131,711,560	1,104,967
Contingency	7,140,656	-	-	-
<b>Total expenditures</b>	<b><u>716,761,938</u></b>	<b><u>730,134,375</u></b>	<b><u>722,138,478</u></b>	<b><u>7,995,897</u></b>
<b>Excess of revenues over expenditures</b>	<b><u>16,305,898</u></b>	<b><u>13,560,709</u></b>	<b><u>36,860,130</u></b>	<b><u>23,299,421</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,896,833	3,256,343	3,256,343	-
Transfers out	(18,202,731)	(26,499,008)	(26,499,008)	-
<b>Total other financing sources (uses)</b>	<b><u>(16,305,898)</u></b>	<b><u>(23,242,665)</u></b>	<b><u>(23,242,665)</u></b>	<b><u>-</u></b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>(9,681,956)</b>	<b>13,617,465</b>	<b>23,299,421</b>
Budgetary fund balance - beginning	66,318,135	66,318,135	66,318,135	-
Budgetary fund balance - ending	<u>\$ 66,318,135</u>	<u>56,636,179</u>	<u>79,935,600</u>	<u>23,299,421</u>

(Concluded)

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

### 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)\*

	2022	2021	2020	2019	2018
<u>Total pension liability</u>					
Service cost	\$ 34,521,663	\$ 34,203,842	\$ 32,665,206	\$ 33,231,538	28,844,823
Interest	109,033,323	106,483,253	103,120,036	101,742,520	98,349,284
Change of benefit term	21,678,106	-	-	-	-
Differences between expected and actual experience	(13,682,272)	(10,567,983)	1,669,782	(8,340,855)	(1,005,891)
Changes of assumptions	2,637,615	-	-	1,608,506	73,039,312
Benefit payments, including refunds of member contributions	(95,473,388)	(91,485,398)	(89,017,374)	(84,275,963)	(83,122,621)
Net change in total pension liability	58,715,047	38,633,714	48,437,650	43,965,746	116,104,907
Total pension liability - beginning	1,593,408,122	1,554,774,408	1,506,336,758	1,462,371,012	1,346,266,105
Total pension liability - ending (a)	<u>\$ 1,652,123,169</u>	<u>\$ 1,593,408,122</u>	<u>\$ 1,554,774,408</u>	<u>\$ 1,506,336,758</u>	<u>1,462,371,012</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 59,024,767	\$ 55,510,926	\$ 52,206,269	\$ 49,098,344	46,188,470
Contributions - member	20,012,226	20,534,325	20,740,274	19,969,060	19,327,093
Net investment income	221,467,014	117,030,633	147,174,441	(30,549,012)	134,646,815
Benefit payments, including refunds of member contributions	(95,473,388)	(91,485,398)	(89,017,374)	(84,275,963)	(83,122,621)
Administrative expense	(568,333)	(556,041)	(658,260)	(587,936)	(583,404)
Other	-	(579,138)	(1,319,129)	(1,632,787)	(1,356,993)
Net change in plan fiduciary net position	204,462,286	100,455,307	129,126,221	(47,978,294)	115,099,360
Plan fiduciary net position - beginning	1,134,047,305	1,033,591,998	904,465,777	952,444,071	837,344,711
Plan fiduciary net position - ending (b)	<u>\$ 1,338,509,591</u>	<u>\$ 1,134,047,305</u>	<u>\$ 1,033,591,998</u>	<u>\$ 904,465,777</u>	<u>952,444,071</u>
WRS's net pension liability - ending (a) - (b)	<u>\$ 313,613,578</u>	<u>\$ 459,360,817</u>	<u>\$ 521,182,410</u>	<u>\$ 601,870,981</u>	<u>509,926,941</u>
Plan fiduciary net position as a percentage of the total pension liability	81.02%	71.17%	66.48%	60.04%	65.13%
Covered payroll	\$ 199,971,632	\$ 199,137,147	\$ 196,970,554	\$ 192,957,155	182,832,183
Net pension liability as a percentage of covered payroll	156.83%	230.68%	264.60%	311.92%	278.90%
	2017	2016	2015		
<u>Total pension liability</u>					
Service cost	\$ 27,155,573	26,309,138	24,977,553		
Interest	95,556,357	92,787,477	89,852,374		
Differences between expected and actual experience	(2,523,911)	(1,619,304)	(901,542)		
Changes of assumptions	19,119,320	16,825,451	16,436,189		
Benefit payments, including refunds of member contributions	(79,940,830)	(75,957,945)	(72,435,430)		
Net change in total pension liability	59,366,509	58,344,817	57,929,144		
Total pension liability - beginning	1,286,899,596	1,228,554,779	1,170,625,635		
Total pension liability - ending (a)	<u>\$ 1,346,266,105</u>	<u>1,286,899,596</u>	<u>1,228,554,779</u>		
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 44,411,990	42,703,837	41,200,578		
Contributions - member	17,797,519	17,409,182	16,320,772		
Net investment income	58,737,894	(10,490,024)	34,950,210		
Benefit payments, including refunds of member contributions	(79,940,830)	(75,957,945)	(72,435,430)		
Administrative expense	(565,669)	(572,743)	(587,157)		
Other	(926,263)	(895,410)	(806,081)		
Net change in plan fiduciary net position	39,514,641	(27,803,103)	18,642,892		
Plan fiduciary net position - beginning	797,830,070	825,633,173	806,990,281		
Plan fiduciary net position - ending (b)	<u>\$ 837,344,711</u>	<u>797,830,070</u>	<u>825,633,173</u>		
WRS's net pension liability - ending (a) - (b)	<u>\$ 508,921,394</u>	<u>489,069,526</u>	<u>402,921,606</u>		
Plan fiduciary net position as a percentage of the total pension liability	62.20%	62.00%	67.20%		
Covered payroll	\$ 175,910,160	173,759,691	168,856,039		
Net pension liability as a percentage of covered payroll	289.31%	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, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 59,024,767	55,510,926	52,206,269	49,098,344	46,188,470
Contributions in relation to the statutorily determined contribution	<u>59,024,767</u>	<u>55,510,926</u>	<u>52,206,269</u>	<u>49,098,344</u>	<u>46,188,470</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 199,971,632	199,137,147	196,970,554	192,957,155	182,832,183
Contributions as a percentage of covered payroll	29.52%	27.88%	26.50%	25.45%	25.26%
					(continued)
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 44,411,990	42,703,837	41,200,578	38,148,683	35,409,140
Contributions in relation to the statutorily determined contribution	<u>44,411,990</u>	<u>42,703,837</u>	<u>41,200,578</u>	<u>38,148,683</u>	<u>35,409,140</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 175,910,160	173,759,691	168,856,039	166,094,906	159,669,859
Contributions as a percentage of covered payroll	25.25%	24.58%	24.40%	22.97%	22.18%
					(concluded)

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

	<u>2022 **</u>	<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	19.82%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

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) \*

	2022**	2021**	2020**	2019**	2018**
City's proportion of the net pension liability	92.498832%	92.061716%	92.288158%	92.623763%	91.951084%
City's proportionate share of the net pension liability	\$ 290,088,897	422,895,451	480,989,646	557,475,552	468,883,350
City's covered payroll	184,971,424	183,329,075	181,780,496	178,724,179	168,116,175
City's proportionate share of the net pension liability as a percentage of its covered payroll	156.83%	230.68%	264.60%	311.92%	278.90%
Plan fiduciary net position as a percentage of the total pension liability	81.02%	71.17%	66.48%	60.04%	65.13%
	2017**	2016**	2015**		
City's proportion of the net pension liability	91.768757%	92.066769%	92.730893%		
City's proportionate share of the net pension liability	\$ 467,030,837	450,270,511	373,632,802		
City's covered payroll	161,430,567	159,974,933	156,581,713		
City's proportionate share of the net pension liability as a percentage of its covered payroll	289.31%	281.46%	238.62%		
Plan fiduciary net position as a percentage of the total pension liability	62.20%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 54,597,220	51,104,311	48,180,204	45,476,734	42,470,799
Contributions in relation to the statutorily determined contribution	<u>54,597,220</u>	<u>51,104,311</u>	<u>48,180,204</u>	<u>45,476,734</u>	<u>42,470,799</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 187,452,054	185,787,679	184,218,332	180,944,440	170,204,654
Contributions as a percentage of covered payroll	29.13%	27.51%	26.15%	25.13%	24.95%
					(continued)
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 40,756,331	39,316,043	38,205,664	35,084,000	32,246,000
Contributions in relation to the statutorily determined contribution	<u>40,756,331</u>	<u>39,316,043</u>	<u>38,205,664</u>	<u>35,084,000</u>	<u>32,246,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 163,435,992	162,356,825	158,913,083	154,576,739	148,503,011
Contributions as a percentage of covered payroll	24.94%	24.22%	24.04%	22.70%	21.71%
					(concluded)



# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

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) \*

	2022**	2021**	2020**	2019**	2018**
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	580,545,205	765,599,948	663,622,575	626,837,968	602,552,506
Total	\$ 580,545,205	765,599,948	663,622,575	626,837,968	602,552,506
City's covered payroll	\$ 229,501,582	208,715,982	205,734,272	194,659,324	188,012,690
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	62.03%	50.67%	53.95%	54.25%	52.73%
	2017**	2016**	2015**		
City's proportion of the net pension liability	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	599,739,073	550,242,570	435,996,868		
Total	\$ 599,739,073	550,242,570	435,996,868		
City's covered payroll	\$ 178,781,000	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		
Plan fiduciary net position as a percentage of the total pension liability	55.38%	61.64%	54.84%		

\* 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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

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

	2022**	2021**	2020**	2019**	2018**
Contractually required contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	-	-	-	-
City's covered payroll	\$ 229,501,582	208,715,982	205,734,272	194,659,324	188,012,690
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	2017**	2016**	2015**		
Contractually required contribution	\$ -	-	-		
Contributions in relation to the contractually required contribution	-	-	-		
Contribution deficiency (excess)	\$ -	-	-		
City's covered payroll	\$ 178,781,000	176,442,000	172,700,000		
Contributions as a percentage of covered payroll	N/A	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

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\*

	2022**	2021**	2020**	2019**	2018**
District's proportion of the net pension liability	0.06879%	0.06548%	0.06515%	0.06271%	0.06445%
District's proportionate share of the net pension liability	\$ 7,179,273	11,234,954	9,534,432	8,296,794	8,265,187
District's covered payroll	4,187,000	4,245,000	3,781,000	3,676,509	3,678,070
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.5%	264.7%	252.2%	225.6%	224.7%
Plan fiduciary net position as a percentage of the total pension liability	77.5%	62.5%	66.3%	67.9%	67.2%
	2017**	2016**	2015**		
District's proportion of the net pension liability	0.06517%	0.06237%	0.06291%		
District's proportionate share of the net pension liability	\$ 8,986,634	7,099,775	4,670,154		
District's covered payroll	3,630,096	3,413,667	3,245,825		
District's proportionate share of the net pension liability as a percentage of its covered payroll	247.6%	208.0%	143.9%		
Plan fiduciary net position as a percentage of the total pension liability	63.5%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

### Schedule of District's Contributions\*

	2022**	2021**	2020**	2019**	2018**
Actuarially determined contribution	\$ 478,950	483,000	431,000	419,122	419,300
Contributions in relation to the actuarially determined contribution	478,950	483,000	431,000	419,122	419,300
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 4,187,000	4,245,000	3,781,000	3,676,509	3,678,070
Contributions as a percentage of covered payroll	11.40%	11.40%	11.40%	11.40%	11.40%
	2017**	2016**	2015**		
Contractually required contribution	\$ 413,831	389,000	370,024		
Contributions in relation to the contractually required contribution	413,831	389,000	370,024		
Contribution deficiency (excess)	\$ -	-	-		
District's covered payroll	\$ 3,630,096	3,413,667	3,245,825		
Contributions as a percentage of covered payroll	11.40%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

# CITY OF WORCESTER, MASSACHUSETTS

## Required Supplementary Information

June 30, 2022

### 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\*\*

	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>					
Changes for the year:					
Service cost	\$ 68,397,517	47,108,000	38,503,704	32,551,711	31,603,603
Interest	34,224,947	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	(344,645,654)	359,707,450	6,683,323	71,307,434	-
Benefit payments	(35,596,712)	(33,608,471)	(24,647,288)	(22,388,653)	(23,376,480)
Net changes	(277,619,902)	371,355,227	128,191,651	115,932,730	43,110,358
Total OPEB liability, beginning of the fiscal year *	1,533,889,120	1,162,533,893	918,642,242	802,709,512	759,599,154
Total OPEB liability, end of the fiscal year (a)	\$ 1,256,269,218	1,533,889,120	1,046,833,893	918,642,242	802,709,512
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 6,576,057	3,769,127	19,826,603	-	-
Contributions for benefit payments	35,596,712	33,608,471	24,647,288	-	-
Investment income, net	(1,479,677)	1,499,997	679,021	-	-
Benefit payments	(35,596,712)	(33,608,471)	(24,647,288)	-	-
Administrative expenses	(12,000)	-	-	-	-
Net change in plan fiduciary net position	5,084,380	5,269,124	20,505,624	-	-
Plan fiduciary net position - beginning	25,774,748	20,505,624	-	-	-
Plan fiduciary net position - ending (b)	\$ 30,859,128	25,774,748	20,505,624	-	-
Net OPEB Liability (a) - (b)	\$ 1,225,410,090	1,508,114,372	1,026,328,269	918,642,242	802,709,512
Total OPEB liability	\$ 1,256,269,218	1,533,889,120	1,046,833,893	918,642,242	802,709,512
Plan fiduciary net position	30,859,128	25,774,748	20,505,624	-	-
Net OPEB liability	\$ 1,225,410,090	1,508,114,372	1,026,328,269	918,642,242	802,709,512
Covered payroll	\$ 413,934,432	364,301,765	384,459,031	360,955,133	350,441,877
Net OPEB Liability as a percentage of covered payroll	296.0%	414.0%	267.0%	254.5%	229.1%
Discount Rate	3.54%	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.

\*\* 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, 2022

### 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\*\*

	2022	2021	2020	2019	2018
<b>Total OPEB liability (District)</b>					
Changes for the year:					
Service cost	\$ 126,103	131,365	125,708	120,295	223,862
Interest	387,714	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	(267,579)	(195,521)	(243,924)	(99,094)	(81,305)
Net changes in total OPEB liability	246,238	177,802	240,020	2,440,673	(2,855,618)
Total OPEB Liability, beginning of the fiscal year	5,353,130	5,175,328	4,935,308	2,494,635	5,350,253
Total OPEB Liability, end of the fiscal year (a)	\$ 5,599,368	5,353,130	5,175,328	4,935,308	2,494,635
<b>Plan Fiduciary Net Position (District)</b>					
Contributions - employer	\$ 477,579	395,521	419,678	626,536	1,668,078
Investment income, net	(342,584)	714,801	40,451	28,116	-
Benefit payments	(267,579)	(195,521)	(229,468)	(99,094)	(81,305)
Net change in plan fiduciary net position	(132,584)	914,801	230,661	555,558	1,586,773
Plan fiduciary net position - beginning	3,287,793	2,372,992	2,142,331	1,586,773	-
Plan fiduciary net position - ending (b)	\$ 3,155,209	3,287,793	2,372,992	2,142,331	1,586,773
District's Net OPEB Liability (a) - (b)	\$ 2,444,159	2,065,337	2,802,336	2,792,977	907,862
Total OPEB liability	\$ 5,599,368	5,353,130	5,175,328	4,935,308	2,494,635
Plan fiduciary net position	3,155,209	3,287,793	2,372,992	2,142,331	1,586,773
Net OPEB liability	\$ 2,444,159	2,065,337	2,802,336	2,792,977	907,862
Covered payroll	\$ 4,423,000	3,995,000	4,274,000	4,129,154	3,707,317
Net OPEB Liability as a percentage of covered payroll	55.3%	51.7%	65.6%	67.6%	24.5%
Weighted average investment return	-4.46%	37.40%	1.87%	1.72%	0.00%
Discount Rate	7.25%	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, 2022

### 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 2022, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$12,702. In fiscal 2022, revenues and other financial sources were more than estimates by \$15,304 and expenditures were less than budgetary estimates by \$7,996.

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, 2022:

	<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	\$ 758,999	722,138	(23,243)	13,618
Direct borrowings - equipment acquisitions	-	4,551	4,551	-
COLA on-behalf payments	612	612	-	-
OPEB contributions reported as fringe benefit	-	6,401	6,401	-
Adjustment of revenues to a modified basis	<u>(1,388)</u>	<u>-</u>	<u>-</u>	<u>(1,388)</u>
As reported on a GAAP basis	<u>\$ 758,223</u>	<u>733,702</u>	<u>(12,291)</u>	<u>12,230</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.

### 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%. As of January 1, 2022 it was lowered to 6.8%.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2022

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

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. As of January 1, 2022, the generational mortality improvement scale was updated to Scale MP-2021.

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. As of January 1, 2022, the generational mortality improvement scale was updated to Scale MP-2021.

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 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. As of January 1, 2022, the generational mortality improvement scale was updated to Scale MP-2021.

#### **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:

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to Required Supplementary Information

June 30, 2022

Actuarial cost method (2012-2022):	Entry Age Normal
Amortization method (2012-2014):	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.
Amortization method (2022):	Appropriation increases 6.33% in 2023 and 2024 and 3.5% thereafter with a 58.1% decrease in 2034.
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
Remaining amortization period (2022):	12 years
Asset valuation method (2012-2022):	5-year smoothed fair value
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 (2019-2022):	3.00%
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 (2019-2022):	4.00%
Investment rate of return (2012-2013):	7.75%
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%
Investment rate of return (2022):	6.8%

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2022

#### **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 3.54% for fiscal year 2022, 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 2022 and 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 and 2022 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.

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.



## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to Required Supplementary Information**

June 30, 2022

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, 2022

***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 & Breakfast** – accounts for the operations of the public school lunch and breakfast programs.

**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.

**Rehabilitation of Public Buildings** – accounts for improvements to City owned buildings.

**Parks Improvements** – accounts for grants and bond proceeds used for parks improvements.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Supplementary Statements and Schedules**

June 30, 2022

**Baseball Stadium** – accounts for financial resources used for the construction of the minor league baseball stadium.

**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.

**CitySquare Construction** – The CitySquare fund was established to account for the City’s share of the financial resources including state and federal grants and the proceeds from the issuance of bonds used for the construction of the CitySquare project.

**Other** – accounts for various small construction projects.

### **Permanent Funds**

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

**Hope Cemetery** – accounts for funds used for the perpetual care of the municipal cemetery.

**Health Department** – accounts for funds used for public health purposes.

**Libraries** – accounts for funds held in trust for the City’s public libraries.

**Schools** – accounts for funds held in trust to provide scholarships for qualified students.

**Parks** – accounts for funds held in trust to improve the City’s parks.

**Police** – accounts for funds held in trust to beautify the landscape at the police headquarters building.

**Public Works** – accounts for funds held in trust to provide street lighting.

**Memorial** – accounts for funds held in trust to maintain various monuments and fountains.

**Welfare** – accounts for expenditures from welfare type trusts.

## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2022

***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, 2022

<b>Special Revenue Funds</b>					
	<b>DCU Center Operations</b>	<b>School Lunch &amp; Breakfast</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	2,481,210	10,397,460	-	417,677	10,419,122
Restricted investments	-	-	-	-	-
Receivables, net	-	-	1,377,083	-	91,382
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,481,210</b>	<b>10,397,460</b>	<b>1,377,083</b>	<b>417,677</b>	<b>10,510,504</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	44,763	226,726	35	17,078
Due to general fund	-	-	619,409	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Other liabilities	1,748,500	-	-	-	-
<b>Total liabilities</b>	<b>1,748,500</b>	<b>44,763</b>	<b>846,135</b>	<b>35</b>	<b>17,078</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	1,377,083	-	91,382
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,377,083</b>	<b>-</b>	<b>91,382</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	732,710	10,352,697	-	417,642	10,402,044
Committed	-	-	-	-	-
Unassigned	-	-	(846,135)	-	-
<b>Total fund balances</b>	<b>732,710</b>	<b>10,352,697</b>	<b>(846,135)</b>	<b>417,642</b>	<b>10,402,044</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,481,210</b>	<b>10,397,460</b>	<b>1,377,083</b>	<b>417,677</b>	<b>10,510,504</b>

Special Revenue Funds					
School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	Subtotal
-	-	29,160,185	-	-	29,160,185
-	5,670,576	-	-	1,392,603	30,778,648
-	-	-	-	-	-
-	-	1,695,605	-	-	3,164,070
24,341,210	-	-	63,795	2,542	24,407,547
24,341,210	5,670,576	30,855,790	63,795	1,395,145	87,510,450
473,931	69,188	-	-	108,523	940,244
8,582,750	-	-	4,883	-	9,207,042
-	-	-	-	-	-
-	-	-	-	-	-
7,665,819	-	-	-	-	7,665,819
-	-	-	-	-	1,748,500
16,722,500	69,188	-	4,883	108,523	19,561,605
-	-	1,695,605	-	-	3,164,070
-	-	1,695,605	-	-	3,164,070
-	-	-	-	-	-
7,618,710	5,601,388	-	58,912	1,286,622	36,470,725
-	-	29,160,185	-	-	29,160,185
-	-	-	-	-	(846,135)
7,618,710	5,601,388	29,160,185	58,912	1,286,622	64,784,775
24,341,210	5,670,576	30,855,790	63,795	1,395,145	87,510,450

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2022

	<b>Capital Projects Funds</b>				
	<b>DCU Center Construction</b>	<b>Streets and Sidewalks</b>	<b>Capital Equipment</b>	<b>Rehabilitation of Public Buildings</b>	<b>Parks Improvements</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	590,978	11,324,060	1,748,182	9,704,943	4,633,303
Restricted investments	-	-	-	-	-
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	852,205
<b>Total assets</b>	<b>\$ 590,978</b>	<b>11,324,060</b>	<b>1,748,182</b>	<b>9,704,943</b>	<b>5,485,508</b>
<b>Liabilities:</b>					
Accounts payable	\$ 145,279	1,884,521	372,525	1,409,854	341,024
Due to general fund	-	-	-	-	-
Retainage payable	-	187,138	-	1,660,943	240,151
Temporary loans	150,000	2,190,929	88,323	6,094,362	2,900,507
Unearned revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>295,279</b>	<b>4,262,588</b>	<b>460,848</b>	<b>9,165,159</b>	<b>3,481,682</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	295,699	7,061,472	1,287,334	539,784	2,003,826
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>295,699</b>	<b>7,061,472</b>	<b>1,287,334</b>	<b>539,784</b>	<b>2,003,826</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 590,978</b>	<b>11,324,060</b>	<b>1,748,182</b>	<b>9,704,943</b>	<b>5,485,508</b>



Capital Projects Funds				
Baseball Stadium	Ballpark District Improvements & Garage Constr.	CitySquare Construction	Other	Subtotal
-	-	-	-	-
373,522	400,000	99,341	4,846,925	33,721,254
-	-	-	-	-
-	-	-	-	-
-	-	-	-	852,205
<u>373,522</u>	<u>400,000</u>	<u>99,341</u>	<u>4,846,925</u>	<u>34,573,459</u>
-	-	-	19,152	4,172,355
-	-	-	-	-
-	-	-	-	2,088,232
-	-	-	3,929,991	15,354,112
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,949,143</u>	<u>21,614,699</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
373,522	400,000	99,341	897,782	12,958,760
-	-	-	-	-
-	-	-	-	-
<u>373,522</u>	<u>400,000</u>	<u>99,341</u>	<u>897,782</u>	<u>12,958,760</u>
<u>373,522</u>	<u>400,000</u>	<u>99,341</u>	<u>4,846,925</u>	<u>34,573,459</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2022

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Libraries</b>	<b>Schools</b>	<b>Parks</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	25,234	45,169	42,942	1,180
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	5,912,694	4,039,109	11,444,871	982,519	675,577
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 5,912,694</b>	<b>4,064,343</b>	<b>11,490,040</b>	<b>1,025,461</b>	<b>676,757</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	-	2,700	-	-
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,700</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Nonspendable	4,722,703	2,880,488	6,522,648	649,281	422,063
Restricted	1,189,991	1,183,855	4,964,692	376,180	254,694
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>5,912,694</b>	<b>4,064,343</b>	<b>11,487,340</b>	<b>1,025,461</b>	<b>676,757</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,912,694</b>	<b>4,064,343</b>	<b>11,490,040</b>	<b>1,025,461</b>	<b>676,757</b>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	1,210	107,348	1,283	224,366	29,384,551
-	-	-	-	-	64,499,902
13,754	495,779	419,552	5,357	23,989,212	23,989,212
-	-	-	-	-	3,164,070
-	-	-	-	-	25,259,752
13,754	496,989	526,900	6,640	24,213,578	146,297,487
-	-	-	-	2,700	5,115,299
-	-	-	-	-	9,207,042
-	-	-	-	-	2,088,232
-	-	-	-	-	15,354,112
-	-	-	-	-	7,665,819
-	-	-	-	-	1,748,500
-	-	-	-	2,700	41,179,004
-	-	-	-	-	3,164,070
-	-	-	-	-	3,164,070
4,411	366,864	206,900	3,903	15,779,261	15,779,261
9,343	130,125	320,000	2,737	8,431,617	57,861,102
-	-	-	-	-	29,160,185
-	-	-	-	-	(846,135)
13,754	496,989	526,900	6,640	24,210,878	101,954,413
13,754	496,989	526,900	6,640	24,213,578	146,297,487

(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, 2022

	<b>Special Revenue Funds</b>				
	<b>DCU Center Operations</b>	<b>School Lunch &amp; Breakfast</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	17,517,444	-	-	65,000
Investment earnings	-	-	-	-	-
Charges for services	3,180,640	1,709	12,594,712	1,867,088	3,020,771
Donations	-	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Energy sales and rebates	-	-	-	-	2,490,336
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>3,180,640</b>	<b>17,519,153</b>	<b>12,594,712</b>	<b>1,867,088</b>	<b>5,576,107</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	448,147
Public safety	-	-	12,443,841	-	798,146
Health and human services	-	-	-	-	250,595
Education	-	13,380,661	-	-	-
Public works	-	-	-	3,338,331	598,329
Culture and recreation	568,682	-	-	-	-
Community development	-	-	-	-	1,065,008
Debt service:					
Principal	243,654	-	-	1,405,818	864,229
Interest	32,469	-	-	894,744	-
<b>Total expenditures</b>	<b>844,805</b>	<b>13,380,661</b>	<b>12,443,841</b>	<b>5,638,893</b>	<b>4,024,454</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,335,835</b>	<b>4,138,492</b>	<b>150,871</b>	<b>(3,771,805)</b>	<b>1,551,653</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	3,380,850	-
Transfers out	-	-	-	-	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,380,850</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,335,835</b>	<b>4,138,492</b>	<b>150,871</b>	<b>(390,955)</b>	<b>1,551,653</b>
Fund balances – beginning	(1,603,125)	6,214,205	(997,006)	808,597	8,850,391
Fund balances – ending	\$ <u>732,710</u>	<u>10,352,697</u>	<u>(846,135)</u>	<u>417,642</u>	<u>10,402,044</u>

**Special Revenue Funds**

<b>School Grants</b>	<b>School Revolving</b>	<b>Receipts Reserved</b>	<b>Community Development</b>	<b>MassHire Central Region Workforce</b>	<b>Subtotal</b>
64,343,156	771,844	-	4,048,106	5,762,357	92,507,907
-	-	-	-	-	-
2,601	1,304,361	9,550,694	28,789	-	31,551,365
579,233	-	-	-	-	579,233
-	-	-	-	-	-
-	-	-	-	-	2,490,336
-	-	182,273	-	-	182,273
<u>64,924,990</u>	<u>2,076,205</u>	<u>9,732,967</u>	<u>4,076,895</u>	<u>5,762,357</u>	<u>127,311,114</u>
-	-	-	-	-	448,147
-	-	-	-	-	13,241,987
-	-	-	-	5,794,888	6,045,483
65,215,282	996,731	-	-	-	79,592,674
-	-	-	-	-	3,936,660
-	-	-	-	-	568,682
-	-	-	3,969,211	-	5,034,219
-	-	-	97,000	-	2,610,701
-	-	-	41,747	-	968,960
<u>65,215,282</u>	<u>996,731</u>	<u>-</u>	<u>4,107,958</u>	<u>5,794,888</u>	<u>112,447,513</u>
<u>(290,292)</u>	<u>1,079,474</u>	<u>9,732,967</u>	<u>(31,063)</u>	<u>(32,531)</u>	<u>14,863,601</u>
275,779	10,875	-	-	-	3,667,504
-	-	(8,262,645)	-	-	(8,262,645)
-	-	1,127,725	-	-	1,127,725
-	-	-	-	-	-
<u>275,779</u>	<u>10,875</u>	<u>(7,134,920)</u>	<u>-</u>	<u>-</u>	<u>(3,467,416)</u>
(14,513)	1,090,349	2,598,047	(31,063)	(32,531)	11,396,185
<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>
<u>7,618,710</u>	<u>5,601,388</u>	<u>29,160,185</u>	<u>58,912</u>	<u>1,286,622</u>	<u>64,784,775</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, 2022

	<b>Capital Projects Funds</b>				
	<b>DCU Center Construction</b>	<b>Streets and Sidewalks</b>	<b>Capital Equipment</b>	<b>Rehabilitation of Public Buildings</b>	<b>Parks Improvements</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	1,002,756	-	-	3,909,755
Investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Donations	-	-	-	125,709	-
Contributions to permanent fund	-	-	-	-	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>1,002,756</b>	<b>-</b>	<b>125,709</b>	<b>3,909,755</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	1,007,707	9,569,820	-
Public safety	-	-	1,246,083	229,285	-
Health and human services	-	-	-	-	-
Education	-	-	250,988	-	-
Public works	-	10,223,146	419,786	1,815,332	-
Culture and recreation	942,302	-	346,984	1,153,923	8,383,674
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>942,302</b>	<b>10,223,146</b>	<b>3,271,548</b>	<b>12,768,360</b>	<b>8,383,674</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(942,302)</b>	<b>(9,220,390)</b>	<b>(3,271,548)</b>	<b>(12,642,651)</b>	<b>(4,473,919)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	241,532	-	80,959	-
Transfers out	-	(521,411)	-	-	-
Premium on issuance of bonds and notes	56,180	-	-	8,454,460	-
Issuance of bonds	948,000	16,755,799	3,913,152	21,157,464	8,167,367
<b>Total other financing sources (uses)</b>	<b>1,004,180</b>	<b>16,475,920</b>	<b>3,913,152</b>	<b>29,692,883</b>	<b>8,167,367</b>
<b>Net change in fund balances</b>	<b>61,878</b>	<b>7,255,530</b>	<b>641,604</b>	<b>17,050,232</b>	<b>3,693,448</b>
Fund balances – beginning	233,821	(194,058)	645,730	(16,510,448)	(1,689,622)
Fund balances – ending	\$ 295,699	7,061,472	1,287,334	539,784	2,003,826

## Capital Projects Funds

Baseball Stadium	Ballpark District Improvements & Garage Constr.	CitySquare Construction	Other	Subtotal
-	17,819,353	-	-	22,731,864
2,455	-	-	-	2,455
-	-	-	-	-
-	-	-	-	125,709
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,455	17,819,353	-	-	22,860,028
-	-	-	-	10,577,527
-	-	-	-	1,475,368
-	-	-	-	-
-	-	-	-	250,988
2,236,123	13,685,979	-	951,661	29,332,027
-	-	-	-	10,826,883
-	-	-	6,085,004	6,085,004
-	-	-	-	-
3,729,087	-	-	-	3,729,087
5,965,210	13,685,979	-	7,036,665	62,276,884
(5,962,755)	4,133,374	-	(7,036,665)	(39,416,856)
-	400,000	-	-	722,491
-	-	-	(80,959)	(602,370)
1,230,862	-	-	28,241	9,769,743
57,539,000	-	-	6,592,049	115,072,831
58,769,862	400,000	-	6,539,331	124,962,695
52,807,107	4,533,374	-	(497,334)	85,545,839
(52,433,585)	(4,133,374)	99,341	1,395,116	(72,587,079)
373,522	400,000	99,341	897,782	12,958,760

(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, 2022

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Library</b>	<b>Schools</b>	<b>Parks</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	(626,962)	(490,956)	(2,023,260)	(117,986)	(82,105)
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	90,448	-	-	1,991	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>(536,514)</u>	<u>(490,956)</u>	<u>(2,023,260)</u>	<u>(115,995)</u>	<u>(82,105)</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	500	-	-	-
Education	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	95,799	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>500</u>	<u>95,799</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(536,514)</u>	<u>(491,456)</u>	<u>(2,119,059)</u>	<u>(115,995)</u>	<u>(82,105)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	500	115,800	15,250	-
Transfers out	(59,589)	(500)	(115,800)	(15,250)	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(59,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(596,103)</u>	<u>(491,456)</u>	<u>(2,119,059)</u>	<u>(115,995)</u>	<u>(82,105)</u>
Fund balances – beginning	<u>6,508,797</u>	<u>4,555,799</u>	<u>13,606,399</u>	<u>1,141,456</u>	<u>758,862</u>
Fund balances – ending	\$ <u><u>5,912,694</u></u>	<u><u>4,064,343</u></u>	<u><u>11,487,340</u></u>	<u><u>1,025,461</u></u>	<u><u>676,757</u></u>



Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	115,239,771
(1,671)	(60,254)	(51,237)	(720)	(3,455,151)	(3,452,696)
-	-	-	-	-	31,551,365
-	-	-	-	-	704,942
-	-	-	-	92,439	92,439
-	-	-	-	-	2,490,336
-	-	-	-	-	182,273
(1,671)	(60,254)	(51,237)	(720)	(3,362,712)	146,808,430
-	-	-	-	-	11,025,674
-	-	-	-	-	14,717,355
-	-	-	500	1,000	6,046,483
-	-	-	-	-	79,843,662
-	-	-	-	-	33,268,687
-	-	-	-	95,799	11,491,364
-	-	-	-	-	11,119,223
-	-	-	-	-	2,610,701
-	-	-	-	-	4,698,047
-	-	-	500	96,799	174,821,196
(1,671)	(60,254)	(51,237)	(1,220)	(3,459,511)	(28,012,766)
-	-	1,800	500	133,850	4,523,845
-	-	(1,800)	(500)	(193,439)	(9,058,454)
-	-	-	-	-	10,897,468
-	-	-	-	-	115,072,831
-	-	-	-	(59,589)	121,435,690
(1,671)	(60,254)	(51,237)	(1,220)	(3,519,100)	93,422,924
15,425	557,243	578,137	7,860	27,729,978	8,531,489
13,754	496,989	526,900	6,640	24,210,878	101,954,413

(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, 2022

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
Revenues:				
Fees	\$ 1,710,160	1,710,160	1,724,540	14,380
Miscellaneous	10,500	10,500	11,831	1,331
Total revenues	<u>1,720,660</u>	<u>1,720,660</u>	<u>1,736,371</u>	<u>15,711</u>
Expenditures:				
Salaries and benefits	434,832	464,831	464,831	-
Ordinary maintenance	940,000	962,252	961,474	778
Debt service	388,569	402,933	402,933	-
Indirect costs	39,151	39,151	39,151	-
Total expenditures	<u>1,802,552</u>	<u>1,869,167</u>	<u>1,868,389</u>	<u>778</u>
Excess (deficiency) of revenues over expenditures	<u>(81,892)</u>	<u>(148,507)</u>	<u>(132,018)</u>	<u>16,489</u>
Other financing sources (uses):				
Transfers in	100,000	166,615	116,115	(50,500)
Transfers (out) for pension bond assessment	<u>(18,108)</u>	<u>(18,108)</u>	<u>(18,108)</u>	<u>-</u>
Total other financing sources (uses)	<u>81,892</u>	<u>148,507</u>	<u>98,007</u>	<u>(50,500)</u>
Net changes in fund balance	<u>-</u>	<u>-</u>	<u>(34,011)</u>	<u>(34,011)</u>
Budgetary fund balance – beginning	<u>270,492</u>	<u>270,492</u>	<u>270,492</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 270,492</u>	<u>270,492</u>	<u>236,481</u>	<u>(34,011)</u>

**Reconciliation to GAAP-basis:**

	<b>Expenses</b>	<b>Transfers (Net)</b>	<b>Net Change in Fund Balance/ Net Position</b>
As reported on a budgetary basis	\$ 1,868,389	98,007	(34,011)
Change in net pension liability and related pension deferred inflows and outflows	(29,567)	-	29,567
Change in net OPEB liability and related OPEB deferred inflows and outflows	49,550	-	(49,550)
OPEB contribution paid by general fund	2,438	2,438	-
Net change in compensated absences	1,206	-	(1,206)
Debt service principal	(314,807)	-	314,807
Amortization of premium interest	(18,669)	-	18,669
Amortization of deferred interest charge	5,931	-	(5,931)
Net change in accrued interest	(5,381)	-	5,381
Depreciation	<u>194,010</u>	<u>-</u>	<u>(194,010)</u>
As reported on a GAAP basis	<u>\$ 1,753,100</u>	<u>100,445</u>	<u>83,716</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, 2022

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 45,886,002	45,886,002	48,295,974	2,409,972
Miscellaneous	1,035,000	1,035,000	2,034,857	999,857
Total revenues	46,921,002	46,921,002	50,330,831	3,409,829
Expenditures:				
Salaries and benefits	7,121,285	6,889,990	6,889,990	-
Ordinary maintenance	24,721,209	25,360,571	25,360,571	-
Capital	24,500	17,482	17,482	-
Debt service	10,457,604	10,754,109	10,754,109	-
Indirect costs	4,090,397	4,208,351	4,208,351	-
Total expenditures	46,414,995	47,230,503	47,230,503	-
Excess of revenues over expenditures	506,007	(309,501)	3,100,328	3,409,829
Other financing sources (uses):				
Transfers in	-	180,384	180,384	-
Transfers out	(506,007)	(506,007)	(506,007)	-
Total other financing sources (uses)	(506,007)	(325,623)	(325,623)	-
Net changes in fund balance	-	(635,124)	2,774,705	3,409,829
Budgetary fund balance – beginning	5,191,626	5,191,626	5,191,626	-
Budgetary fund balance – ending	\$ 5,191,626	4,556,502	7,966,331	3,409,829

**Reconciliation to GAAP-basis:**

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 50,330,831	47,230,503	(325,623)	2,774,705
Net change in accrued receivables	(249,618)	-	-	(249,618)
Net transfer to capital projects sewer	-	-	750,000	750,000
Change in net pension liability and related pension deferred inflows and outflows	-	(676,543)	-	676,543
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	896,042	-	(896,042)
OPEB contribution paid by general fund	-	51,682	51,682	-
Net change in compensated absences	-	23,549	-	(23,549)
Net change in claims and judgments	-	(1,045,041)	-	1,045,041
Capital grants	-	-	1,992	1,992
Capital projects expenses	-	(133,182)	-	133,182
Debt service principal	-	(6,769,925)	-	6,769,925
Amortization of premium interest	-	(709,859)	-	709,859
Amortization of deferred interest charge	-	562,296	-	(562,296)
Net change in accrued interest	-	(24,099)	-	24,099
Depreciation	-	12,985,480	-	(12,985,480)
As reported on a GAAP basis	\$ 50,081,213	52,390,903	478,051	(1,831,639)

## 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, 2022

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 26,162,064	26,162,064	26,644,212	482,148
Miscellaneous	1,245,000	1,245,000	2,779,665	1,534,665
Total revenues	27,407,064	27,407,064	29,423,877	2,016,813
Expenditures:				
Salaries and benefits	12,148,931	11,600,047	10,869,393	730,654
Ordinary maintenance	4,315,100	4,815,100	4,737,101	77,999
Capital	25,000	25,000	19,018	5,982
Debt service	7,213,697	7,440,122	7,440,120	2
Indirect costs	3,031,548	3,006,486	2,913,594	92,892
Total expenditures	26,734,276	26,886,755	25,979,226	907,529
Excess of revenues over expenditures	672,788	520,309	3,444,651	2,924,342
Other financing sources (uses):				
Transfers in	-	152,479	152,479	-
Transfers out	(672,788)	(4,664,127)	(4,664,127)	-
Total other financing sources (uses)	(672,788)	(4,511,648)	(4,511,648)	-
Net changes in fund balance	-	(3,991,339)	(1,066,997)	2,924,342
Budgetary fund balance – beginning	10,713,027	10,713,027	10,713,027	-
Budgetary fund balance – ending	\$ 10,713,027	6,721,688	9,646,030	2,924,342

**Reconciliation to GAAP-basis:**

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 29,423,877	25,979,226	(4,511,648)	(1,066,997)
Net change in accrued receivables	(625,481)	-	-	(625,481)
Change in net pension liability and related pension deferred inflows and outflows	-	(1,448,090)	-	1,448,090
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	1,967,314	-	(1,967,314)
OPEB contribution paid by general fund	-	120,983	120,983	-
Net change in compensated absences	-	(4,461)	-	4,461
Net change in claims and judgments	-	(66,874)	-	66,874
Capital grants	-	-	-	-
Transfers out to capital projects fund	-	-	3,991,339	3,991,339
Capital projects expenses	-	329,807	-	(329,807)
Debt service principal	-	(5,041,425)	-	5,041,425
Amortization of premium interest	-	(429,611)	-	429,611
Amortization of deferred interest charge	-	218,123	-	(218,123)
Net change in accrued interest	-	(100,349)	-	100,349
Depreciation	-	9,052,087	-	(9,052,087)
As reported on a GAAP basis	\$ 28,798,396	30,576,730	(399,326)	(2,177,660)

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## CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2022

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 7,813,132	-	141,169
Elections	-	-	-
Public Facilities	-	6,317,627	-
Sustainability & Resilience	-	-	34,855,572
Technical Services	-	1,581,183	-
Total general government	7,813,132	7,898,810	34,996,741
Public safety:			
Police	514,500	1,157,620	89,475
Fire	1,074,600	9,141,160	-
Inspectional Services	209,905	636,257	-
Communications	-	4,432,796	-
Total public safety	1,799,005	15,367,833	89,475
Health and human services:			
Health	-	34,509	-
Veteran's Services	-	-	143,629
Elder Affairs	385,000	3,409,895	946,660
Total health and human services	385,000	3,444,404	1,090,289
Public works	3,608,839	86,291,379	3,245,952
Education	3,808,537	444,477,085	4,782,172
Community development	1,125,000	25,277,213	61,548,740
Culture and recreation:			
Auditorium	150,000	655,641	-
DCU Center	263,000	37,467,125	-
Hope Cemetery	290,000	1,310,591	1,432,190
Library	305,000	21,051,071	-
Parks	5,327,777	2,808,422	69,171,280
Polar Park	21,626,204	129,456,562	-
Total culture and recreation	27,961,981	192,749,412	70,603,470
Total governmental activities capital assets	\$ 46,501,494	775,506,136	176,356,839

<b>Rolling equipment</b>	<b>Equipment and other</b>	<b>Infrastructure</b>	<b>Construction in progress</b>	<b>Total</b>
-	-	-	-	7,954,301
-	135,191	-	-	135,191
-	33,017,505	-	-	39,335,132
-	-	-	-	34,855,572
-	3,189,502	-	-	4,770,685
-	36,342,198	-	-	87,050,881
42,779	4,210,675	-	-	6,015,049
3,595,698	778,688	393,705	-	14,983,851
-	-	-	-	846,162
127,146	5,313,187	-	-	9,873,129
3,765,623	10,302,550	393,705	-	31,718,191
-	117,741	-	-	152,250
-	-	-	-	143,629
-	98,371	-	-	4,839,926
-	216,112	-	-	5,135,805
2,137,803	2,664,923	163,092,476	404,667	261,446,039
2,920,720	9,124,160	-	75,063,218	540,175,892
-	-	-	-	87,950,953
-	-	-	-	805,641
97,740	1,932,593	-	-	39,760,458
11,388	-	663,924	-	3,708,093
-	304,462	-	-	21,660,533
757,850	184,110	1,071,595	-	79,321,034
-	-	-	-	151,082,766
866,978	2,421,165	1,735,519	-	296,338,525
9,691,124	61,071,108	165,221,700	75,467,885	1,309,816,286

## 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, 2022

Function and activity	Governmental activities capital assets July 1, 2021 *	Additions	Deductions	Governmental activities capital assets June 30, 2022
General government:				
Manager	\$ 7,959,253	-	4,952	7,954,301
Elections	83,323	78,205	26,337	135,191
Public Facilities	31,102,196	10,621,698	2,388,762	39,335,132
Sustainability & Resilience	37,104,319	-	2,248,747	34,855,572
Technical Services	4,460,511	1,224,034	913,860	4,770,685
Total general government	80,709,602	11,923,937	5,582,658	87,050,881
Public safety:				
Police	3,085,635	3,789,717	860,303	6,015,049
Fire	15,361,285	1,039,759	1,417,193	14,983,851
Inspectional Services	754,525	144,480	52,843	846,162
Communications	10,522,179	436,283	1,085,333	9,873,129
Total public safety	29,723,624	5,410,239	3,415,672	31,718,191
Health and human services:				
Health	37,065	130,823	15,638	152,250
Veteran's Services	152,895	-	9,266	143,629
Elder Affairs	3,281,733	3,991,930	2,433,737	4,839,926
Total health and human svc	3,471,693	4,122,753	2,458,641	5,135,805
Public works	273,267,550	21,378,843	33,200,354	261,446,039
Education	463,642,886	286,268,886	209,735,880	540,175,892
Community development	65,847,664	26,862,587	4,759,298	87,950,953
Culture and recreation:				
Library	21,388,139	11,106,200	10,833,806	21,660,533
Auditorium	873,015	114,169	181,543	805,641
DCU Center	41,618,533	3,552,784	5,410,859	39,760,458
Hope Cemetery	2,561,625	1,329,645	183,177	3,708,093
Parks	73,502,136	30,931,422	25,112,524	79,321,034
Polar Park	148,473,417	7,026,361	4,417,012	151,082,766
Total culture and recreation	288,416,865	54,060,581	46,138,921	296,338,525
Total governmental activities capital assets	\$ 1,205,079,884	410,027,826	305,291,424	1,309,816,286

\* Beginning balances were reclassified amongst functions and activities



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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.

### Table of Contents

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<b>Financial Trends</b>	171
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	181
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	190
These tables contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	193
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	196
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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## CITY OF WORCESTER, MASSACHUSETTS

**Net Position by Component (1)**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2013	2014 (2)	2015	2016	2017 (3)	2018	2019	2020 (4)	2021 (5)	2022
Governmental activities:										
Net investment in capital assets (1)	\$ 310,299	333,718	361,677	402,433	433,725	441,004	469,471	518,388	545,131	667,815
Restricted	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968	72,424	74,153
Unrestricted	(254,054)	(608,267)	(640,192)	(693,216)	(1,184,168)	(1,247,332)	(1,325,449)	(1,502,876)	(1,554,474)	(1,636,908)
Total governmental activities net position	<u>\$ 99,779</u>	<u>(219,554)</u>	<u>(222,337)</u>	<u>(234,539)</u>	<u>(688,876)</u>	<u>(740,535)</u>	<u>(785,142)</u>	<u>(921,520)</u>	<u>(936,919)</u>	<u>(894,940)</u>
Business-type activities:										
Net investment in capital assets (1)	\$ 86,123	86,648	88,675	90,920	84,896	86,281	85,721	76,803	71,513	80,770
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	11,024	(10,304)	(12,425)	(12,985)	(18,103)	(19,802)	(19,329)	(22,492)	(24,877)	(38,060)
Total business-type net position	<u>\$ 97,147</u>	<u>76,344</u>	<u>76,250</u>	<u>77,935</u>	<u>66,793</u>	<u>66,479</u>	<u>66,392</u>	<u>54,311</u>	<u>46,636</u>	<u>42,710</u>
Primary government:										
Net investment in capital assets (1)	\$ 396,422	420,366	450,352	493,353	518,621	527,285	555,192	595,191	616,644	748,585
Restricted	43,534	54,995	56,178	56,244	61,567	65,793	70,836	62,968	72,424	74,153
Unrestricted	(243,030)	(618,571)	(652,617)	(706,201)	(1,202,271)	(1,267,134)	(1,344,778)	(1,525,368)	(1,579,351)	(1,674,968)
Total primary government net position	<u>\$ 196,926</u>	<u>(143,210)</u>	<u>(146,087)</u>	<u>(156,604)</u>	<u>(622,083)</u>	<u>(674,056)</u>	<u>(718,750)</u>	<u>(867,209)</u>	<u>(890,283)</u>	<u>(852,230)</u>

(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.

(5) Net position and net investment in capital assets changed for restatement of right of use assets and lease liabilities as of June 30, 2021.

Table 2

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Net Position (1)**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020 (5)	2021 (6)	2022
<b>Expenses</b>										
Governmental activities:										
General government	\$ 24,652	49,096	23,721	29,353	48,401	47,038	33,886	40,462	46,313	60,921
Public safety	129,490	302,717	160,408	156,918	277,546	171,039	190,526	227,154	177,062	196,585
Health and human services	18,396	32,756	16,650	19,262	22,680	14,270	15,177	15,877	25,088	15,902
Education	451,582	548,011	424,350	480,201	792,154	527,848	555,917	664,027	625,136	613,133
Public works	40,387	57,769	47,280	41,955	66,303	56,693	57,070	61,155	69,918	52,550
Culture and recreation	21,756	35,211	27,461	26,351	31,747	28,858	31,662	36,155	42,223	36,090
Community development	1,820	4,256	4,063	6,562	7,028	5,975	8,952	10,401	6,943	15,965
Interest on debt	25,873	26,555	21,806	20,883	20,074	21,672	21,660	20,253	20,293	20,173
Total governmental activities expenses	<u>713,956</u>	<u>1,056,371</u>	<u>725,739</u>	<u>781,485</u>	<u>1,265,933</u>	<u>873,393</u>	<u>914,850</u>	<u>1,075,484</u>	<u>1,012,976</u>	<u>1,011,319</u>
Business-type activities:										
Water	25,734	39,096	27,391	26,785	33,730	28,063	29,511	33,820	33,658	30,577
Sewer	37,991	45,563	39,972	42,018	48,533	47,932	51,185	52,119	53,430	52,391
Airport	-	-	-	-	-	-	-	-	-	-
Golf course (nonmajor)	1,293	1,713	1,429	1,386	1,452	1,392	1,564	1,651	1,618	1,753
Total business-type expenses	<u>65,018</u>	<u>86,372</u>	<u>68,792</u>	<u>70,189</u>	<u>83,715</u>	<u>77,387</u>	<u>82,260</u>	<u>87,590</u>	<u>88,706</u>	<u>84,721</u>
Total primary government expenses	<u>\$ 778,974</u>	<u>1,142,743</u>	<u>794,531</u>	<u>851,674</u>	<u>1,349,648</u>	<u>950,780</u>	<u>997,110</u>	<u>1,163,074</u>	<u>1,101,682</u>	<u>1,096,040</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 14,969	16,118	17,444	20,844	18,835	18,808	21,372	20,981	23,007	25,759
Public works	9,920	11,356	8,823	9,369	10,588	9,624	10,401	11,036	10,417	14,132
Other activities	8,752	8,770	8,623	8,579	8,709	7,523	12,139	11,665	7,977	16,615
Operating grants and contributions	365,227	374,157	342,932	363,557	387,555	393,634	409,107	452,784	478,498	481,191
Capital grants and contributions	23,252	15,562	24,528	29,007	34,946	24,198	34,627	53,126	55,153	77,263
Total governmental activities program revenues	<u>422,120</u>	<u>425,963</u>	<u>402,350</u>	<u>431,356</u>	<u>460,633</u>	<u>453,787</u>	<u>487,646</u>	<u>549,592</u>	<u>575,052</u>	<u>614,960</u>
Business-type activities:										
Charges for services:										
Water	26,838	28,243	28,360	29,278	30,250	29,588	29,927	28,915	29,747	28,798
Sewer	34,066	36,262	38,951	40,550	41,954	43,192	46,243	45,625	50,332	50,082
Golf course (nonmajor)	1,058	1,096	1,090	1,206	1,106	1,125	1,134	1,053	1,876	1,736
Operating grants and contributions	385	-	-	-	-	-	-	-	-	-
Capital grants and contributions	2,106	386	-	330	286	3,814	6,012	599	1	2
Total business-type activities program revenues	<u>64,453</u>	<u>65,987</u>	<u>68,401</u>	<u>71,364</u>	<u>73,596</u>	<u>77,719</u>	<u>83,316</u>	<u>76,192</u>	<u>81,956</u>	<u>80,618</u>
Total primary government program revenues	<u>\$ 486,573</u>	<u>491,950</u>	<u>470,751</u>	<u>502,720</u>	<u>534,229</u>	<u>531,506</u>	<u>570,962</u>	<u>625,784</u>	<u>657,008</u>	<u>695,578</u>

(continued)

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Net Position (1)**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019	2020 (5)	2021 (6)	2022
Net (expense)/revenue										
Governmental activities	\$ (291,836)	(630,408)	(323,389)	(350,129)	(805,300)	(419,606)	(427,204)	(525,892)	(437,924)	(396,359)
Business-type activities	(565)	(20,385)	(391)	1,175	(10,119)	332	1,056	(11,398)	(6,750)	(4,103)
Total primary government net (expense)/ revenue	<u>\$ (292,401)</u>	<u>(650,793)</u>	<u>(323,780)</u>	<u>(348,954)</u>	<u>(815,419)</u>	<u>(419,274)</u>	<u>(426,148)</u>	<u>(537,290)</u>	<u>(444,674)</u>	<u>(400,462)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 233,206	247,313	257,423	271,801	275,979	288,275	297,653	308,857	334,059	344,187
Motor vehicle excise taxes	12,720	13,075	14,305	15,554	16,281	15,702	16,551	16,509	16,929	16,928
Intergovernmental	36,039	36,974	37,844	39,096	40,732	42,286	43,796	44,942	44,931	46,470
Other	11,730	13,227	11,244	11,883	16,788	15,501	19,636	15,113	21,372	26,695
Transfers (net)	920	418	(297)	(510)	1,023	646	1,143	683	925	(177)
Gain on sale of capital assets	564	-	-	-	-	-	-	-	-	-
Donations	69	68	87	103	160	225	507	244	123	92
Energy sales and rebates	-	-	-	-	-	5,312	3,311	3,166	4,186	4,143
Extraordinary item - transfer of airport debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>295,248</u>	<u>311,075</u>	<u>320,606</u>	<u>337,927</u>	<u>350,963</u>	<u>367,947</u>	<u>382,597</u>	<u>389,514</u>	<u>422,525</u>	<u>438,338</u>
Business-type activities										
Transfers (net)	(920)	(418)	297	510	(1,023)	(646)	(1,143)	(683)	(925)	177
Loss on airport disposal	-	-	-	-	-	-	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>(920)</u>	<u>(418)</u>	<u>297</u>	<u>510</u>	<u>(1,023)</u>	<u>(646)</u>	<u>(1,143)</u>	<u>(683)</u>	<u>(925)</u>	<u>177</u>
Total primary government	<u>\$ 294,328</u>	<u>310,657</u>	<u>320,903</u>	<u>338,437</u>	<u>349,940</u>	<u>367,301</u>	<u>381,454</u>	<u>388,831</u>	<u>421,600</u>	<u>438,515</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 3,412	(319,333)	(2,783)	(12,202)	(454,337)	(51,659)	(44,607)	(136,378)	(15,399)	41,979
Business-type activities	(1,485)	(20,803)	(94)	1,685	(11,142)	(314)	(87)	(12,081)	(7,675)	(3,926)
Total primary government	<u>\$ 1,927</u>	<u>(340,136)</u>	<u>(2,877)</u>	<u>(10,517)</u>	<u>(465,479)</u>	<u>(51,973)</u>	<u>(44,694)</u>	<u>(148,459)</u>	<u>(23,074)</u>	<u>38,053</u>

(1) Net position terminology per GASB #63 is being utilized.

(2) Expenses in fiscal 2014 reflect the initial measurement of the net pension liability (and related) per GASB #68.

(3) OPEB expense was reallocated among departments in fiscal 2015. MTRS in-kind pension expense decreased \$29,508 upon implementation of GASB #68.

(4) Expenses in fiscal 2017 reflect the initial measurement of the net OPEB liability (and related) per GASB #75.

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

(6) Net position and net investment in capital assets changed for restatement of right of use assets and lease liabilities as of June 30, 2021, and the reclassification of capitalized interest.

(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
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
2021		334,059	16,929	6,086	3,752	14	850	411	362,101
2022		344,187	16,928	4,301	3,641	20	1,910	464	371,451

(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* )

	2013	2014	2015	2016	2017	2018	2019	2020 (1)	2021	2022
General fund:										
Restricted	\$ 2,652	7,020	8,425	8,896	11,753	15,009	17,430	-	-	-
Unassigned	27,869	27,870	26,823	34,652	40,383	42,377	47,971	53,226	70,242	82,472
Total general fund	<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>	<u>82,472</u>
All other governmental funds:										
Nonspendable	\$ 15,579	11,961	12,935	13,062	15,686	15,626	16,022	15,717	20,679	15,779
Restricted	32,228	38,863	39,153	37,378	38,880	35,955	55,318	47,894	54,120	71,333
Committed	35,896	39,734	40,025	38,925	37,788	44,116	45,801	46,696	56,173	71,203
Unassigned	(38,492)	(41,479)	(36,088)	(53,372)	(83,752)	(31,846)	(36,013)	(73,936)	(127,908)	(30,070)
Total all other governmental funds	<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>	<u>128,245</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* )

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>REVENUES</b>										
Property taxes	\$ 233,327	246,742	256,652	271,977	276,746	289,195	296,190	306,738	336,723	343,149
Motor vehicle excise taxes	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689	17,103	16,774
Other taxes and in-lieu payments	6,064	6,559	6,872	7,303	7,596	8,336	8,492	7,953	11,921	11,203
Penalties and interest on taxes	2,532	2,440	2,107	2,530	2,315	2,049	2,329	2,260	2,827	2,872
Licenses and permits	4,992	5,274	5,795	6,388	6,713	6,943	6,736	7,443	7,063	8,674
Intergovernmental (1)	425,047	434,696	380,721	392,272	407,424	396,952	426,783	470,460	481,014	559,861
Charges for services	24,106	24,123	24,137	28,418	25,746	26,097	33,144	31,926	30,025	42,560
Fines and forfeitures	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900	1,817	1,924
Investment earnings (losses)	2,116	3,107	567	930	3,228	2,219	5,331	3,075	6,557	(187)
Donations	11,396	5,997	5,059	5,120	4,753	5,589	2,836	5,607	8,174	3,934
Contributions to permanent funds	69	69	87	103	160	225	507	244	123	93
Energy sales and rebates	-	-	-	-	-	5,312	3,311	3,166	4,186	4,143
Lease revenue	-	-	-	-	-	-	-	-	-	2,127
Miscellaneous	1,452	1,845	2,259	1,733	4,197	3,608	4,048	2,481	875	13,673
Total revenues	726,538	747,284	701,618	734,704	757,311	765,165	808,726	858,942	908,408	1,010,800
<b>EXPENDITURES</b>										
General government (2)	31,911	25,559	24,574	39,609	53,943	31,560	26,376	29,638	58,303	65,043
Public safety (2)	93,314	96,604	97,773	114,414	109,885	109,581	116,991	122,108	118,550	135,208
Health and human services	15,547	14,872	13,619	15,810	18,355	12,160	11,785	12,720	14,175	16,498
Education (2)	296,957	316,669	313,239	337,664	351,885	357,957	385,801	435,541	430,457	493,991
Public works	61,137	53,607	61,059	62,248	49,887	44,103	69,871	102,470	146,540	61,842
Culture and recreation	26,590	35,534	22,027	19,826	19,364	29,924	24,088	29,767	30,421	26,592
Fringe benefits (1)	148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355	132,494	138,725
Community development	1,820	4,256	4,064	7,153	7,273	5,917	8,887	10,336	6,893	15,812
State & regional charges	31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,531	35,616	38,372
Debt service:										
Principal	36,746	37,922	54,979	46,974	45,917	45,743	48,459	47,387	49,110	48,656
Interest	27,269	27,964	23,825	23,583	22,677	24,196	24,819	25,285	24,468	27,528
Refunding bonds issuance costs	-	-	-	-	-	-	-	-	580	-
Total expenditures	770,607	800,933	749,399	804,179	820,176	798,110	863,540	991,138	1,047,607	1,068,267
Excess of revenues										
(under) expenditures	(44,069)	(53,649)	(47,781)	(69,475)	(62,865)	(32,945)	(54,814)	(132,196)	(139,199)	(57,467)

(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* )

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 27,117	25,473	33,917	41,360	22,520	28,485	28,675	26,069	30,246	28,941
Transfers (out)	(26,197)	(25,055)	(34,215)	(41,870)	(21,497)	(27,839)	(27,532)	(25,386)	(29,321)	(29,118)
Premium on issuance of bonds and notes	3,789	3,366	4,081	3,988	4,362	6,778	3,186	5,363	12,175	13,259
Sale of capital assets	840	-	-	-	-	-	-	-	-	-
Issuance of bonds and notes	48,150	52,492	41,589	44,280	38,677	84,369	70,718	63,173	108,479	177,245
Premium from issuance of refunding bonds	300	-	2,305	2,314	612	1,549	-	-	3,869	-
Issuance of refunding bonds	3,015	-	7,407	9,439	8,892	23,233	-	-	89,715	-
Payment to refunded bond escrow agent	(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	4,551
Total other financing sources (uses), net	53,699	61,885	55,084	57,743	44,062	93,444	80,106	75,264	122,908	194,878
Net change in fund balances	\$ 9,630	8,236	7,303	(11,732)	(18,803)	60,499	25,292	(56,932)	(16,291)	137,411
Debt service as a percentage of noncapital expenditures	9.1%	9.1%	11.4%	10.1%	9.6%	9.6%	9.6%	9.0%	9.1%	8.6%

(1) Starting in fiscal 2015, on behalf revenue and expense for MTRS contributions are not reported upon implementation of GASB # 68.

(2) In fiscal year 2014, 2016, 2018, 2019 and 2020 expenditures for general government, public safety, and education includes acquisition of capital assets with capital leases totaling \$5,609, \$7,671, \$1,650, \$5,059, and \$6,045 respectively.

(Concluded)

Table 6

## CITY OF WORCESTER, MASSACHUSETTS

**Governmental Funds Tax Revenues by Source**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Cannabis Excise	In Lieu of Tax Payments (1)	Special Assessments (1)	Total
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
2022	343,149	16,774	4,301	3,641	20	1,910	464	867	371,126

(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, 2022

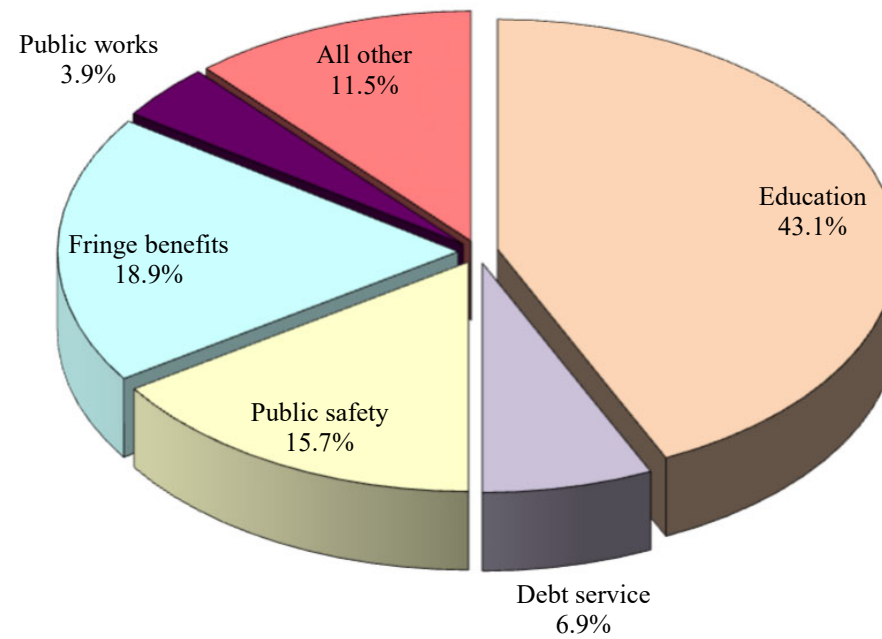


Table 7

## CITY OF WORCESTER, MASSACHUSETTS

**General Fund Expenditures**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General government (3)	\$	15,570	16,809	17,930	18,396	19,374	22,634	21,508	24,116	25,443	28,956
Public safety (3)		80,413	82,546	83,930	95,321	93,297	93,491	97,693	103,936	99,632	115,349
Health and human services (2)		926	730	860	3,196	3,652	3,599	3,893	3,939	3,819	4,286
Education (3)		235,106	250,819	247,223	259,527	260,466	279,177	287,372	303,528	300,749	315,926
Public works		18,995	19,740	20,758	18,673	22,755	22,442	22,180	20,441	21,800	28,396
Culture and recreation		8,467	8,951	9,385	9,714	10,445	11,861	12,001	11,860	12,193	13,268
Fringe benefits (1)		148,073	157,319	103,581	105,732	109,888	105,265	113,188	141,355	132,494	138,725
State and regional charges		31,243	30,627	30,659	31,166	31,102	31,704	33,275	34,532	35,617	38,372
Debt service		47,510	48,996	52,677	52,672	50,749	50,968	52,680	51,895	51,451	50,424
Totals	\$	<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>	<u>733,702</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, 2021 and 2022 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, \$748, and \$4,551, respectively.

**General Fund Revenues**  
Modified Accrual Basis of Accounting  
Year Ended June 30, 2022

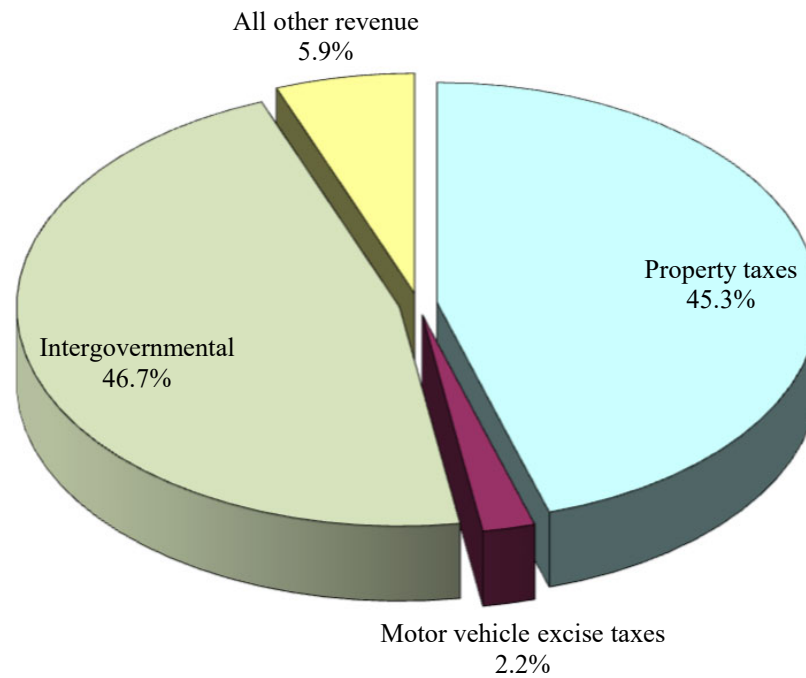


Table 8

## CITY OF WORCESTER, MASSACHUSETTS

## General Fund Revenues

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	<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>	<u>2022</u>
Property taxes	\$ 233,328	246,742	256,652	271,977	276,746	289,195	296,190	306,738	336,723	343,149
Motor vehicle excise taxes	12,843	13,281	14,265	15,346	16,027	16,139	16,631	15,689	17,104	16,774
Other taxes and in-lieu payments	4,413	4,804	4,777	5,083	5,270	5,818	6,112	6,188	5,211	7,633
Penalties and interest on taxes	2,532	2,440	2,107	2,530	2,316	2,049	2,329	2,260	2,827	2,872
Licenses and permits	4,992	5,274	5,795	6,388	6,713	6,944	6,736	7,443	6,396	8,674
Intergovernmental (1)	332,726	342,950	278,742	291,662	297,397	301,850	312,312	335,006	333,646	353,792
Charges for services	5,746	5,683	5,566	5,800	5,866	5,932	7,277	6,692	8,292	11,009
Fines and forfeitures	2,594	3,151	3,097	2,584	2,406	2,501	2,388	1,900	1,816	1,924
Investment earnings	318	484	554	1,005	1,097	1,570	4,046	2,516	653	365
Energy sales and rebates	-	-	-	-	-	1,718	1,891	2,121	2,075	1,652
Miscellaneous	1,112	1,246	1,727	1,368	2,998	2,699	3,017	2,293	120	10,379
Totals	\$ <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>	<u>758,223</u>

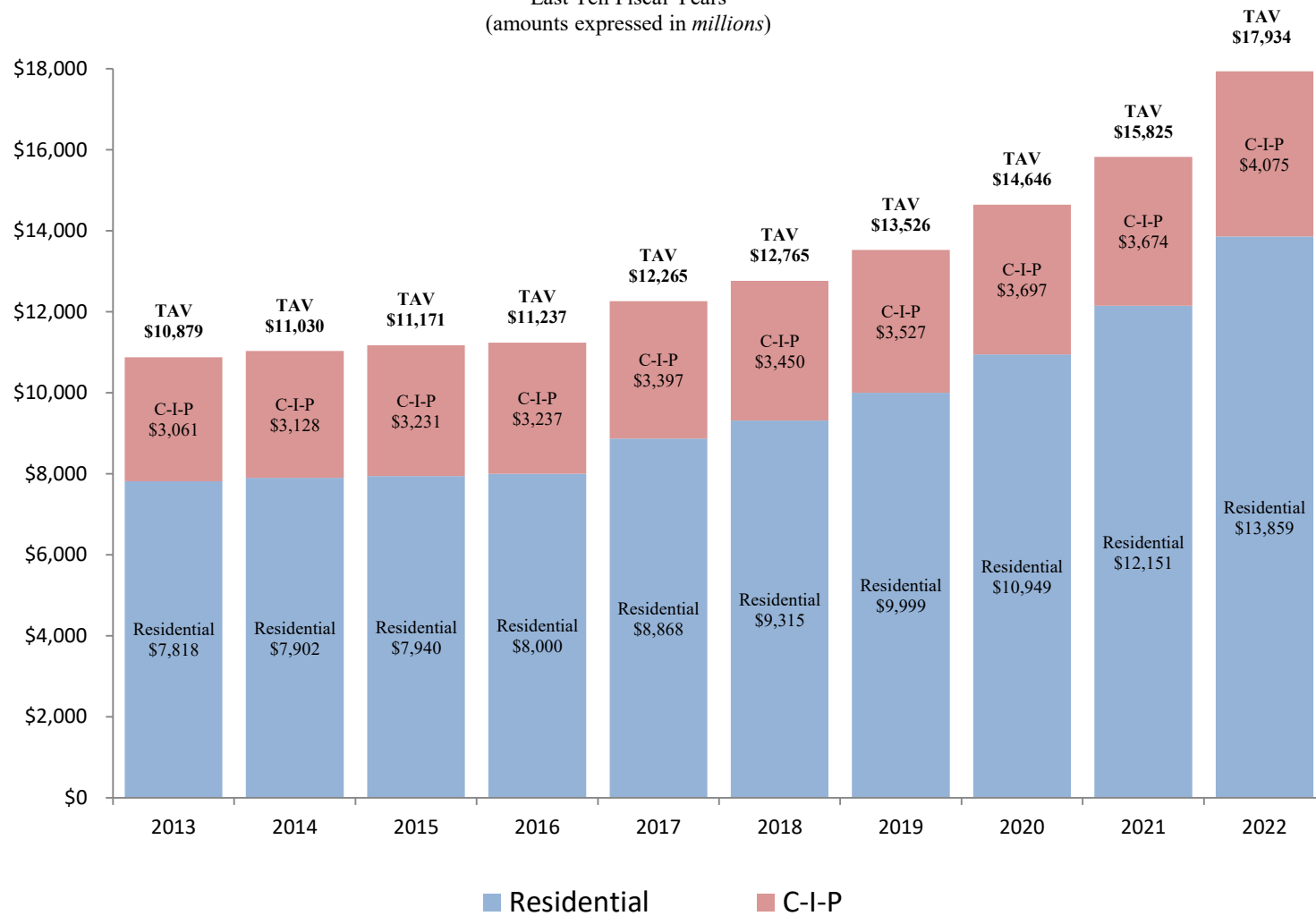
(1) Starting in fiscal 2015, on behalf revenue for MTRS contributions are not reported upon implementation of GASB # 68.



## CITY OF WORCESTER, MASSACHUSETTS

**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						
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
2022	13,858,704	3,139,338	936,296	17,934,338	19.33	15,426,121	116.26	6,345,276	24,279,614	26.13

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

Table 10

## CITY OF WORCESTER, MASSACHUSETTS

**Direct Property Tax Rates (1) (2)**

Last Ten Fiscal Years

<b>Fiscal Year</b>		<b>Residential Real Property</b>	<b>Commercial and Industrial Real Property</b>	<b>Personal Property</b>	<b>Total Direct (3)</b>
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
2022		15.21	33.33	33.33	19.33

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**

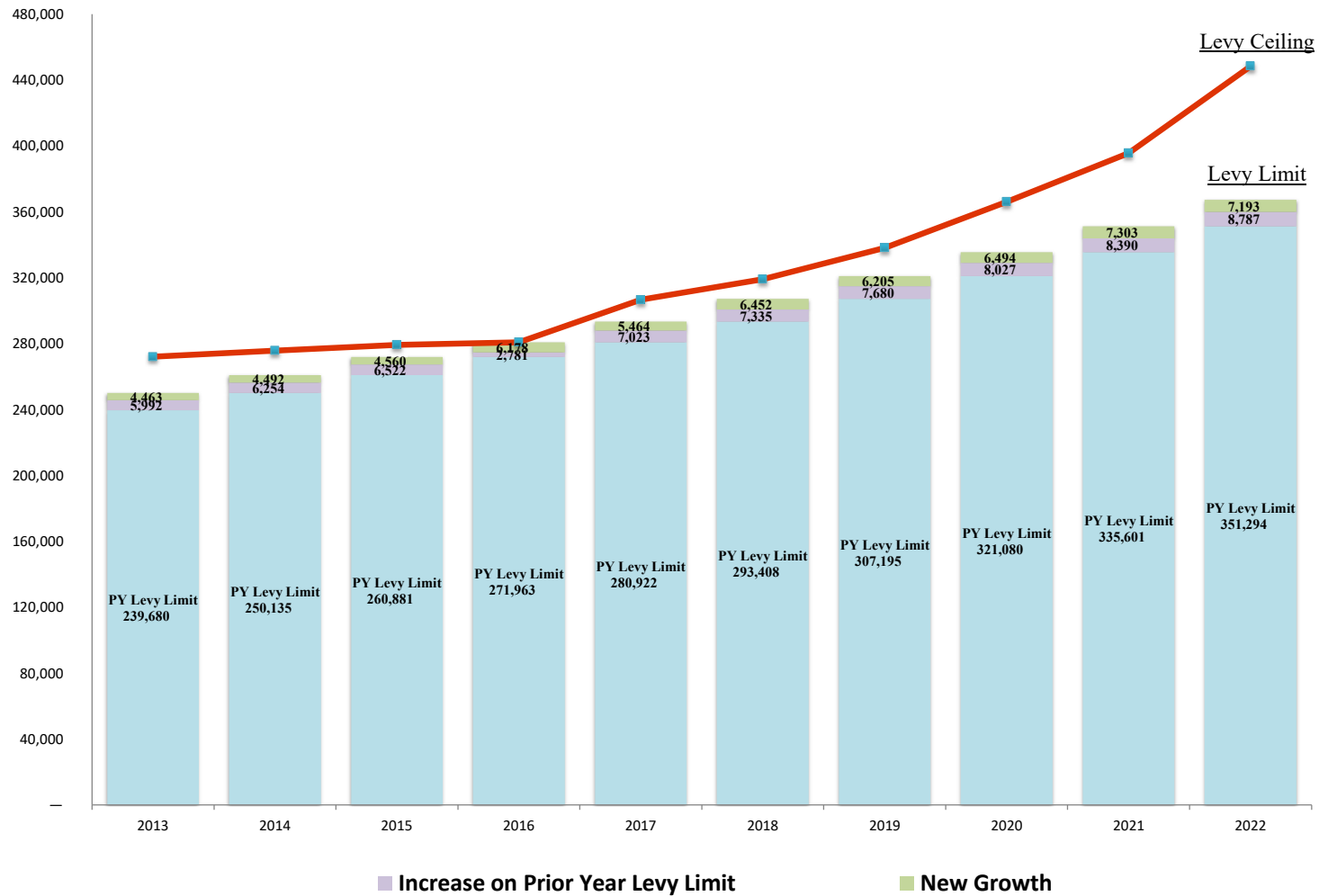
Last Ten Fiscal Years

(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
2013	\$ 235,869	230,540	97.74	\$ 4,383	234,923	99.60%
2014	246,574	241,606	97.99	3,802	245,408	99.53
2015	257,169	252,256	98.09	4,913	257,169	100.00
2016	271,276	267,287	98.53	3,960	271,247	99.99
2017	278,594	273,712	98.25	4,304	278,016	99.79
2018	289,923	284,772	98.22	5,151	289,923	100.00
2019	300,203	294,321	98.04	3,164	297,485	99.09
2020	312,596	304,593	97.44	5,131	309,724	99.08
2021	327,325	323,114	98.71	4,071	327,185	99.96
2022	346,189	339,100	97.95	-	339,100	97.95

## Increase in the Levy Limit

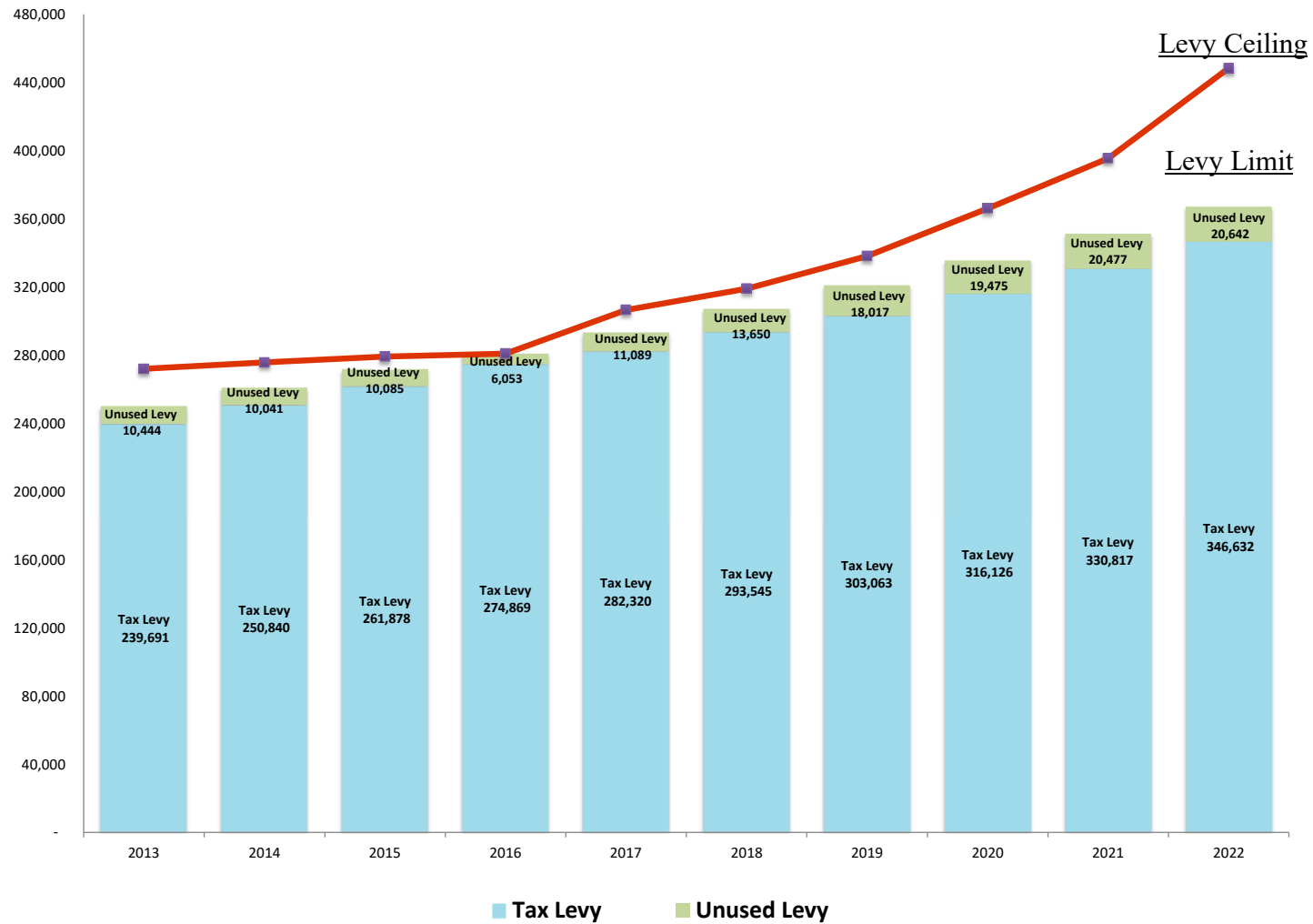
Last Ten Fiscal Years  
(amounts expressed in *thousands*)



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, 2022

(amounts expressed in *thousands*)

Taxpayer	Type of business	2022				2013			
		Assessed valuation	Rank	Fiscal 2022 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2013 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 392,875	1	13,095	3.8 %	\$ 278,613	1	8,595	3.6 %
NSTAR Gas Co.	Gas utility	264,035	2	8,800	2.5	112,005	3	3,455	1.5
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	153,785	3	5,126	1.5	115,461	2	3,562	1.5
Worcester TC LLC (Abbvie)	Biotechnology park	77,308	4	2,577	0.7	42,479	8	1,310	0.6
Hanover Insurance Group	Insurance	71,635	5	2,388	0.7	52,410	7	1,617	0.7
V3B SA LLC (Lincoln Plaza)	Shopping plaza	61,867	6	2,062	0.6	61,144	5	1,866	0.8
New England Power Company	Electric utility	59,686	7	1,974	0.6	N/A	N/A	N/A	N/A
Front Street Associates LLC	Real Estate	57,735	8	1,924	0.6	N/A	N/A	N/A	N/A
Verizon New England	Communications	45,261	9	1,507	0.4	61,512	4	1,898	0.8
MC Roseland Worcester LLC	Real Estate	82,067	10	1,397	0.4	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (CitySquare)	Real Estate	N/A	N/A	N/A	N/A	53,937	6	1,664	0.7
St. Gobain Abrasives Inc	Abrasives manufacturer	N/A	N/A	N/A	N/A	41,945	9	1,294	0.6
TGM Plantation Ridge LLC	Apartment complex	N/A	N/A	N/A	N/A	37,625	10	1,161	0.5
Totals		\$ <u>1,266,254</u>		\$ <u>40,850</u>	<u>11.8 %</u>	\$ <u>857,131</u>		\$ <u>26,422</u>	<u>11.3 %</u>

N/A - not ranked in top ten during fiscal year

Source: Assessor's department

Table 13

## CITY OF WORCESTER, MASSACHUSETTS

**Ratio of Outstanding Debt by Type**

Last Ten Fiscal Years

(amounts expressed in *thousands* , except per capita)

Fiscal Year	Governmental activities			Business-type activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Direct Borrowings	Lease Liabilities	General Obligation Bonds (1)	Direct Borrowings			
2013	\$ 472,522	4,283	-	135,543	1,645	613,993	13.83	\$ 3,383
2014	489,322	9,212	-	137,315	1,480	637,329	14.40	3,504
2015	487,879	6,203	-	140,743	1,950	636,775	14.27	3,489
2016	487,325	12,649	-	139,861	2,882	642,717	14.27	3,505
2017	480,106	11,145	-	144,924	5,309	641,484	13.85	3,492
2018	521,955	10,648	-	147,190	5,038	691,244	14.24	3,742
2019	544,555	13,529	-	158,857	4,763	721,704	14.39	3,883
2020	562,314	16,399	-	172,828	4,479	756,020	14.62	4,077
2021	628,546	13,974	25,176	187,776	4,190	859,662	14.93	4,163
2022	765,433	13,987	24,191	193,922	3,892	1,001,425	16.80	4,863

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

(1) Amounts include deferred bond premiums. Prior years restated to reclassify unamortized premiums on refunding debt issued to deferred inflows of resources and to reclassify deferred charge on advanced refunded debt to deferred outflows of resources.

(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)

<b>Fiscal year</b>	<b>General Obligation Bonds (1)</b>	<b>Percentage of Assessed Value (2)</b>	<b>Total Per capita (3)</b>
2013	\$ 608,065	5.59	\$ 3,351
2014	626,637	5.68	3,445
2015	628,622	5.63	3,444
2016	627,186	5.58	3,420
2017	625,030	5.10	3,403
2018	669,145	5.24	3,622
2019	703,412	5.20	3,784
2020	735,142	5.02	3,965
2021	816,322	5.16	3,953
2022	959,355	5.35	4,659

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

- (1) Amounts include deferred bond premiums. Prior years restated.
- (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* )

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$ 608,682	608,682	580,797	580,797	611,883	611,883	666,823	666,823	771,306	771,306
Total net debt applicable to limit *	<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>	<u>577,001</u>
Legal debt margin	\$ <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>171,654</u>	<u>194,305</u>
Total net debt applicable to the limit as a percentage of debt limit	55.96%	73.51%	74.14%	81.58%	68.24%	75.45%	70.75%	74.26%	74.26%	74.81%

**Legal Debt Margin Calculation for Fiscal Year 2022**

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 \$802,104)	\$ 1,721,247	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(626,060)	
Less bonded debt authorized but not yet issued which is outside the debt limit	<u>(518,186)</u>	<u>577,001</u>
Legal debt margin		<u>\$ 194,305</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) (7)	Public School Enrollment (8)	City's Unemployment Rate (9)
2013	181,473	(1)	24,470	(4)	4,440,644	24,740	9.1 %
2014	181,901	(1)	24,330	(4)	4,425,651	24,562	7.6
2015	182,511	(1)	24,447	(4)	4,461,846	25,254	6.5
2016	183,382	(1)	24,555	(4)	4,502,945	25,076	5.0
2017	183,677	(1)	25,224	(4)	4,633,069	25,479	5.0
2018	184,743	(1)	26,283	(4)	4,855,600	25,306	4.9
2019	185,883	(1)	26,973	(4)	5,013,822	25,415	3.9
2020	185,428	(1)	27,884	(5)	5,170,474	25,044	17.4
2021	206,518	(2)	27,884	(5)	5,758,548	23,986	7.0
2022	205,918	(3)	28,945	(6)	5,960,297	23,735	4.6

(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: U.S. Census Bureau - 2021 estimates

(4) Source: ACS *per capita income in past 12 months*(5) Source: ACS *per capita income in past 12 months 1 yr estimate in 2019 dollars*

(6) Source: U.S. Census Bureau Quick Facts, City of Worcester, Massachusetts

(7) (Population x per capita income / 1000)

(8) Source: Massachusetts Department of Elementary and Secondary Education

(9) Source: Massachusetts Department of Labor and Workforce Development

Table 17

## CITY OF WORCESTER, MASSACHUSETTS

**Full Time Employees**

Last Ten Fiscal Years

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General government	181	194	189	195	193	197	201	202	200	198
Public safety										
Police										
Officers	426	441	427	441	461	447	461	449	459	441
Civilians	49	51	52	50	51	50	51	47	47	49
Fire										
Officers	393	407	386	391	404	403	409	410	392	401
Civilians	9	10	10	10	10	10	10	12	9	12
Other public safety	112	114	111	113	111	103	108	114	107	106
Health and human services	56	57	53	63	67	62	72	73	73	72
Education	3,499	3,552	3,565	3,637	3,667	3,727	3,863	3,988	4,007	4,100
Public works	168	171	172	169	173	172	164	167	159	152
Culture and recreation	122	130	135	134	141	140	142	139	133	143
Water	107	109	111	102	104	108	99	98	94	88
Sewer	51	53	51	47	52	52	54	54	54	52
Golf course (nonmajor)	2	2	2	2	2	2	2	2	2	2
Totals	<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>	<u>5,816</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

<b><u>Avg. Monthly Employment by Industry</u></b>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Construction	3,071	2,828	2,929	3,188	3,195	3,462	3,580	3,291	3,039	3,392
Manufacturing	6,616	6,392	5,953	5,820	5,720	5,541	5,396	5,393	4,812	4,587
Trade, transportation and utilities	12,297	12,206	12,471	12,588	12,685	12,534	12,066	11,799	11,068	12,047
Information	1,545	1,600	1,488	1,383	1,386	1,459	1,514	1,376	1,256	1,271
Financial activities	6,502	6,493	6,568	6,486	6,196	6,077	6,072	6,042	5,855	5,707
Professional and business services	8,416	8,661	8,747	9,178	10,110	10,546	11,291	11,639	9,875	11,609
Education and health services	44,588	47,307	47,840	48,197	48,770	49,554	50,013	51,309	49,287	49,339
Leisure and hospitality	7,307	7,331	7,516	7,559	7,814	8,041	8,254	8,305	6,066	7,158
Other services	4,532	3,120	2,819	2,987	3,022	2,972	3,043	3,178	2,498	2,619
Public administration	3,136	3,345	3,391	3,348	3,456	3,549	3,599	3,687	3,907	3,801
Total all industries	<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>	<u>101,530</u>
No. of establishments	5,082	5,082	5,837	6,294	6,645	6,818	7,195	7,160	7,393	7,733
Total annual wages (in 000's)	\$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	\$6,656,151
Average weekly wages	\$994	\$1,007	\$1,014	\$1,048	\$1,057	\$1,070	\$1,086	\$1,117	\$1,228	\$1,261

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Total arrests	6,785	7,385	8,124	6,254	5,964	6,084	5,358	4,903	2,686	2,475
Different individuals arrested	5,204	5,627	5,935	4,847	4,439	4,438	3,985	3,706	2,209	2,035
Arrests for selected charges										
Drug-related	719	850	762	655	769	799	683	607	272	286
Assault and battery	1,309	1,327	1,266	952	863	814	693	682	514	485
Disorderly conduct, disturbing peace	920	916	888	672	626	590	563	536	289	224
Prostitution and related	121	181	160	86	150	51	134	113	22	31
Sexual assault, including rape	28	28	23	22	32	25	34	23	21	21
Armed robbery	47	64	48	38	39	45	29	23	22	15
Murder/manslaughter, attempted murder	15	7	11	3	4	3	1	7	0	1
Fire (source: WFD)										
Total Incidents	28,348	28,333	30,099	31,933	33,373	33,162	33,485	31,815	29,185	33,731
Selected incidents										
EMS	20,472	20,307	21,707	22,779	24,408	24,117	22,767	21,897	19,748	22,345
Structure fires	845	779	799	828	829	855	968	889	850	765
Arson fires	43	29	18	19	19	16	21	13	14	8
Vehicle fires	102	82	78	91	94	71	93	75	68	70
Good intent	1,819	2,137	2,127	2,165	1,959	2,190	2,356	2,169	1,810	1,868
False alarm	2,871	3,017	3,070	3,214	3,287	3,148	3,627	3,499	3,209	3,481
Highways and streets (source (DPW)										
Streets and resurfacing	16	21	12	12	19	19	20	20	19	19
Potholes repaired	9,392	9,264	12,320	18,095	27,706	12,154	13,117	12,660	6,917	6,935
Sanitation										
Refuse collected (tons/day)	81.71	79.30	79.22	80.97	83.93	83.37	86.24	86.00	98.73	102.32
Recyclable collected (tons/day)	35.42	36.4	37.13	37.91	39.58	39.26	39.62	40.00	40.96	43.08
Water										
New connections	104	97	98	109	103	121	121	204	128	107
Water main breaks	29	55	42	80	48	42	37	38	49	50
Average daily consumption (thousands of gallons)	22,539	22,110	21,700	22,682	22,945	21,707	20,450	19,778	19,698	21,331
Wastewater										
Average daily sewage treatment (thousands of gallons)	33,000	25,200	22,300	25,060	25,145	24,109	23,310	24,600	25,134	23,385

Source: Various government departments.

Table 20

## CITY OF WORCESTER, MASSACHUSETTS

## Capital Asset Statistics by Function

June 30, 2022

## Function

Education:

Schools	46
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Public safety

Police stations	1
Fire stations	10

Culture and recreation

Libraries	4
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Parks	61
-------	----

Parks and playground acreage	1,327
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Municipal cemeteries	1
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Lakes	4
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## DCU Center

## Arena seating capacities

Center stage	14,595
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End stage	14,524
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Basketball	13,270
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Hockey with open curtain	12,167
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Hockey with closed curtain	5,464
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Ice show	12,194
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## Convention

Exhibition halls	2
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Ballrooms	2
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Lounges	2
---------	---

Other meeting rooms	5
---------------------	---

Public works

## Streets:

Streets (miles)	437
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Sidewalks (miles)	489
-------------------	-----

Streetlights	13,579
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## Water:

Main pipes (miles)	631
--------------------	-----

Fire hydrants	5,892
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Reservoirs	10
------------	----

Reservoir gallons of capacity (in thousands)	7,379,938
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## Sewers:

Sanitary sewers (miles)	399
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Combined sewers (miles)	61
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Surface sewers (miles)	371
------------------------	-----

## Municipal parking garages:

## Capacity - cars

Pearl Elm	819
-----------	-----

Federal Plaza	511
---------------	-----

Major Taylor Boulevard	983
------------------------	-----

Union Station	500
---------------	-----

Worcester Common	500
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Polar Park	340 total
------------	-----------

	240 private
--	-------------

	100 public
--	------------

Source: Various government departments

# **GLOSSARY**



## GLOSSARY

**Accounts Payable** – Accounts payable include warrants payable for invoices and payroll, reserve for prior year encumbrances, and payroll withholdings outstanding at year-end. Accounts payable are reflected as current liabilities on the Basic Financial Statements.

**Accrual Basis of Accounting** – Under the accrual basis of accounting, revenues are recognized when earned and expected to be realized rather than when received or currently available. Expenses are recognized in the period they are incurred rather than when paid. The matching of expenses incurred in the same period as when revenues are earned provides a consistent measurement of the change in the net position that is not influenced solely by the timing of cash inflows or outflows (Exhibit 2 of 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.

**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 in the required supplementary information section.

**Capital Assets** – Capital assets are included on the Statement of Net Position in the Government-Wide Financial Statements (Exhibit 1). These are assets that provide an economic resource over a longer term, generally with a life of over two years and a cost of \$50,000 or more. Capital assets include both depreciable assets (building construction and improvements, infrastructure, equipment, trucks) and non-depreciable assets (land, construction-in-progress). These assets are generally acquired with debt and sometimes with local, state and federal funds. Assets are depreciated over their class useful life as shown in footnote 1, “accounting policies”. Details of changes in capital assets for the year by class are reported in footnote 11.

## GLOSSARY

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

**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.

**Current Financial Resources Measurement Focus** – The Governmental Funds Financial Statements (Exhibits 3 and 5) included in the Basic Financial Statements uses the current financial resources measurement focus where the reporting focuses on short-term inflows and outflows of available resources. The information may be useful in evaluating the government’s near-term financial requirements. A modified accrual basis of accounting is used in the measurement of resources. For example, the collection of property taxes 60 days after year-end are realized as available resources and included in revenue and reported as an asset on the Balance Sheet as accounts receivable. The treatment of bond proceeds in the Capital Projects Fund is such that they are considered revenue and reported in the other financial sources section because they are current inflow of resources. The related capital outlays and principal debt payments are expenditures as they are considered near-term outflows of resources.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has three types of items that qualify for reporting in this category. Deferred inflows related to pensions and OPEB are reported in the government-wide and proprietary funds financial statements. The instances of deferred inflows related to pensions and OPEB related to actuarial gains such as gains on experience that are ratably recognized, usually averaging six years. The primary government also has deferred inflows which arise under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and will be recognized in the future because they are considered not currently available for recognition under the current financial resources measurement focus.

**Deferred Outflows of Resources** – A reporting term prescribed by GASB Statement No. 63. In addition to assets, the Government-Wide Statement of Net Position (Exhibit 1) and the Governmental Funds Balance Sheet (Exhibit 3) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. For example, the City has deferred outflows related to pensions and OPEB which are reported in the government-wide and proprietary funds financial statements. This includes deferring the recognition of losses from changes of actuarial assumptions and investment earnings falling short of the expected return.

## GLOSSARY

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.

**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

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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 30<sup>th</sup>. The financial statements reflect the results of operations over this twelve month period and report the assets and liabilities as of June 30<sup>th</sup> based on the accounting method and measurement focus used except the fiduciary funds financial statement of the Worcester Retirement System which is reported on a calendar year.

**Free Cash** – Free Cash is the amount of undesignated fund balance of the City’s General Fund, on a budgetary basis, that the Commonwealth of Massachusetts allows to be appropriated in the following fiscal year. The General Fund includes both the undesignated balance and the reserves for the Bond Rating Stabilization and Emergency Stabilization Funds. The year-end balance of the total fund is reflected in the budget to actual schedule in the required supplementary information section 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 30<sup>th</sup>, the reserve for abatements and exemptions (i.e. overlay), and unreconciled tax receivables. Free cash also includes the retained earnings in the Water, Sewer and Golf funds that are also available for appropriation for those enterprise funds. Amounts not appropriated remain in the accounts (e.g. undesignated fund balance, retained earnings) and become part of the following year’s Free Cash calculation.

**Fund Balance** – Fund balance is the term used in fund accounting to describe the unexpended balance remaining of a particular fund at a point in time. Fund accounting is the accounting system to track resources and their uses that are restricted by law or donors, such as granting agencies. Each fund is a self-balancing set of accounts with assets, liabilities, revenues and expenses. Assets less liabilities results in the fund balance. The statement of revenues and expenses reflects the change in the fund balance for the period. The fund balance may be available in future periods or may need to be returned to the source as in the case of used grant funds that have expired. GASB 54 requires that fund balances reported on the Government Funds Balance Sheet (Exhibit 3 of the 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 other 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. Separate accounting divisions are maintained within the Special Revenue, Capital Projects, Permanent Fund types whose names and descriptions are listed in the supplementary statements and schedules section of the ACFR.

**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.