



The City of
WORCESTER
MASSACHUSETTS

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025



The City of **WORCESTER** MASSACHUSETTS

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025

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, 2025

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INTRODUCTORY SECTION



December 15, 2025

To the Honorable Members of the City Council and Citizens of
the 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, 2025 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, 2025, 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, 2025. 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 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 211,289 according to the U.S. Census Bureau's 2024 population estimate.

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 eight-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. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 117 through 124 as part of required supplementary information.

Local economy

According to the state's labor market information for calendar year 2024 Worcester has 7,488 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 \$8.0 billion. Employment for calendar year 2024 was over 106,000 with health and education making up the largest percentage at approximately 50% of all employment followed by professional and business services 12%, trade, transportation and utilities at 10% of the workforce, leisure and hospitality 8%, financial 5%, manufacturing 4%, public administration 4%, construction 4% and other 3%.

Worcester is home to eight colleges and universities that enroll approximately 25,000 full-time students and have approximately 14,000 employees. Worcester has two major hospitals located in the city with UMass Memorial Medical Center employing approximately 7,000 and St. Vincent Hospital 1,200. The school district and the City of Worcester also have a significant economic presence employing over 6,500 full-time employees.

The U.S. Census Bureau reported that Worcester's median household income was \$71,042 and per capita income of \$38,792 in 2024 dollars based on 83,116 households compared to a median household income of \$104,828 for the Commonwealth based on 2.8 million households and \$81,604 on a national level. According to the state's school district profiles, 72% of the 24,778 enrollments at Worcester Public Schools for the school year 2024-2025 are considered low income compared to the state average of 42%. In addition, the large numbers of college students residing in the city also have an effect by lowering the average income levels.

Recent studies of rental markets by Colliers reported that as of June 30, 2025, a sample of 1.7 million square feet of office space in Worcester was 82% occupied compared to 80% in the prior year and the industrial report in Worcester was 80% occupied based on 12.8 million square feet inventory compared with 75% in the prior year.

Unemployment rates increased as of June 2025 compared to the same period in the prior year. The local unemployment rate was 5.2% as of June 30, 2025 compared to 4.8% in the prior year. By comparison for the same periods the state's unemployment rate was 4.8% and 4.0%, respectively, and the national average was 4.1% and 4.3%, respectively.

Worcester's total taxable assessed property value increased to \$24.3 billion in fiscal 2025 based on the legal assessment date of January 1, 2024. Values increased \$2.1 billion or 9.4% from the prior year. Tax-exempt real property represented 22.9% of the total assessed values at \$7.2 billion.

Major Development Projects

Developments in housing, commercial, institutional and transportation continued throughout fiscal 2025 providing additional economic catalyst to the City.

In November 2022, the citizens of the City adopted to participate in the state's Community Preservation Act whereby a surtax on property taxes and matching revenue from the state will provide funds for open space, community housing and historical preservation through the oversight of local community preservation committees. In fiscal 2025, the second year of assessment of the surcharge, the City assessed net surcharges to taxpayers totaling \$4,414,156 and the match from the state is \$744,537 available for appropriation in fiscal 2026.

The City has allocated \$146,634,604 of federal funds from the American Rescue Plan Act to community-based initiatives, affordable housing, public health, technology, infrastructure, and general revenue recovery of which \$84,813,729 had been expended and \$61,820,875 obligated as of June 30, 2025.

The City has created an economic district to finance Polar Park, a AAA minor league ballpark that opened in 2021 located in the Canal District near the center of the city. Economic development through the repurposing of parcels by private investment within the district continued in 2025. A developer plans to build a 125-room hotel across

from the ballpark, two market-rate residential buildings totaling 350 units, and an office building that overlooks the left field of the stadium. In fiscal 2024 the first residential building received its certificate of occupancy with 228 market rate housing units. A new 348 space garage was constructed by the city through state Masswork grants and is leasing the garage to the developer through a 20-year lease. Other developers' projects in the ballpark district include a newly constructed mixed-use building of 173 market-rate units with 16,000 square feet of space that is adjacent to the ballpark and an 83-unit affordable housing building that recently received its certificate of occupancy.

Nearby the ballpark and within walking distance to Union Station, the intermodal hub of bussing and passenger trains, included the development of 364 units of mixed-income with a parking garage on Franklin St, 105 units of mixed-income with retail space on Grafton St, and 370 market-rate units on Mulberry St. A second hotel in Washington Square is planned near Union Station of approximately 105 rooms in six stories with approximately 74,000 square feet and an estimated cost of \$21M and the creation of 35 jobs.

The historic Worcester County Courthouse was converted into 117 mixed-income housing units. The redevelopment of another historic building in Lincoln Square into 90 mixed-income housing for senior residents is expected to be completed in 2026.

The Reactory, a new industrial park on 46 acres of a former state hospital on Belmont St for life sciences and biomanufacturing continued development in 2025 with the construction of two facilities. These properties will be added to the tax rolls for the first time with over 500,000 square feet of space expected to be developed and over \$500 million in investments with the potential for 500 jobs.

The site of the former Greendale mall was recently acquired and redeveloped into a warehouse distribution facility with 120,000 square feet which will provide approximately 200 employment opportunities and became operational in fiscal 2025.

Construction continued in fiscal 2025 of the replacement of the Doherty High School with a new 422,000 square foot building with an estimated replacement cost of \$316 million that is partially funded by a state grant from the MSBA totaling \$127 million. The building was placed in service for school year 2024-2025 while additional construction continues in 2026 including solar roof panels.

Local colleges and universities continue to invest and attract private investments in the City. UMass Chan Medical School constructed a new 350,000 square foot new education and research building with an estimated investment of \$350 million. Gateway Park is a mixed use 11 acre site that is used by WPI for biotech and life sciences where a new five story lab building will be developed. WPI acquired two hotels in Gateway Park for its expansion needs. Clark University constructed a 70,000 square foot center for media arts computing and design. Holy Cross completed a \$110 million 84,000 square foot center for performing arts.

The DCU Center, the civic center and convention facility, recently had its arena seating replaced in addition to upgrading electrical and network infrastructures.

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, recently constructed of a second platform overseen by the Massachusetts Bay Transit Authority to improve railway traffic through the City with a double track operation. This will improve foot traffic for visitors attending the DCU Center, Polar Park, Canal District and downtown as well as to Boston.

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 2025 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, 2025 the City's balance in its unassigned general fund reserves totaled \$90 million and was 10% of general fund revenues. During 2025 the City continued to make contributions to finance new high school construction through its stabilization fund with transfers totaling \$12.3 million resulting in an ending balance of \$17 million after payments of annual debt service. Other transfers included the planned replacement of a fire station with a \$0.2 million transfer in 2025 to bring the fire station debt service fund balance to \$9 million and the creation of a new school repair stabilization fund in 2024 had a balance of \$1.0 million. Debt service supported by the general fund excluding pension obligation bonds was 5.4% of the budget.

General fund revenue sources to the City during fiscal 2025 included 43.9% from the property tax levy, 7.1% from local and other sources and 49.0% from state aid. The City did not tax all of its levy capacity and had a total \$25.8 million in untaxed levy capacity at the end of fiscal 2025 compared to \$23.7 million for fiscal 2024. Total combined reserves in the unassigned general fund and the debt service fund decreased \$5.9 million to \$143.8 million or 15.7% of combined general fund and debt service revenue.

The City's use of tax increment financing and exemptions (TIF, TIE) and district improvement financing (DIF) as well as the development by the local colleges have helped attract private investment in new construction and redevelopment of vacant buildings including some designated as historical sites and some former industrial sites currently unused. Through the creation of the DCU Center DIF the City was able to provide a revenue stream with local hotel and meals tax in a designated area to finance debt service specific to the DCU Center's capital improvements. The City received \$4.9 million of designated hotel and meals taxes for DCU Center capital improvements in fiscal 2025 and paid \$4.0 million in debt service. The CitySquare DIF received \$3.9 million in incremental property tax revenue for the year ended June 30, 2025 and paid debt service of \$4.1 million for fiscal 2025 with \$0.3 subsidized by the general fund; cumulative to date subsidies from the general fund totaled \$4.5M. Revenue from activities related to baseball district improvement financing totaled \$5.5 million including scheduled team lease payments for the ballpark use, lease payment from the Polar Park garage, incremental property taxes within the district, permits for building construction within the district, gameday parking revenue, and advertising and suite rental. Revenue in fiscal 2025 for the Ballpark DIF fell short of budget by \$0.9 million and was financed by funds due to the General Fund which had a cumulative balance due to the general fund of \$2.1M as of June 30, 2025. For fiscal 2025 there were twenty-one active TIF/TIE plans that generated \$4.2 million of taxes and provided \$3.6 of tax abatements.

The City has invested \$90 million in energy improvement programs between 2012 and 2025 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 are 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 and other rebates totaled \$2.9 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 \$355 million and is being amortized over the next nine years with annual actuarially determined contributions increasing 3.5% thereafter with the contribution in year 2034 decreasing by 50% before decreasing to a contribution equal to employer normal cost. Outstanding pension obligation bonds issued in 1998 had a principal balance outstanding on June 30, 2025 of \$44 million with full amortization over the next three fiscal

years. The actuarially determined net OPEB liability was \$1.1 billion which was based on a valuation date of July 1, 2024, and a disclosure date of June 30, 2025. The City continued during fiscal 2025 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 \$61 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, 2024. 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 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, 2025

CITY COUNCIL

MAYOR

Joseph M. Petty

COUNCILORS-AT-LARGE

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

DISTRICT COUNCILORS

Jenny Pacillo
Candy F. Mero-Carlson
George J. Russell
Luis A. Ojeda
Etel Haxhij

SCHOOL COMMITTEE EX-OFFICIO CHAIRPERSON

Joseph M. Petty

COMMITTEE MEMBERS

Susan Coghlin Mailman
Molly McCullough
Dianna Biancheria
Kathleen Roy

COMMITTEE MEMBERS

Maureen Binienda
Vanessa Alvarez
Alex Guardiola
Jermaine Johnson

APPOINTED OFFICIALS

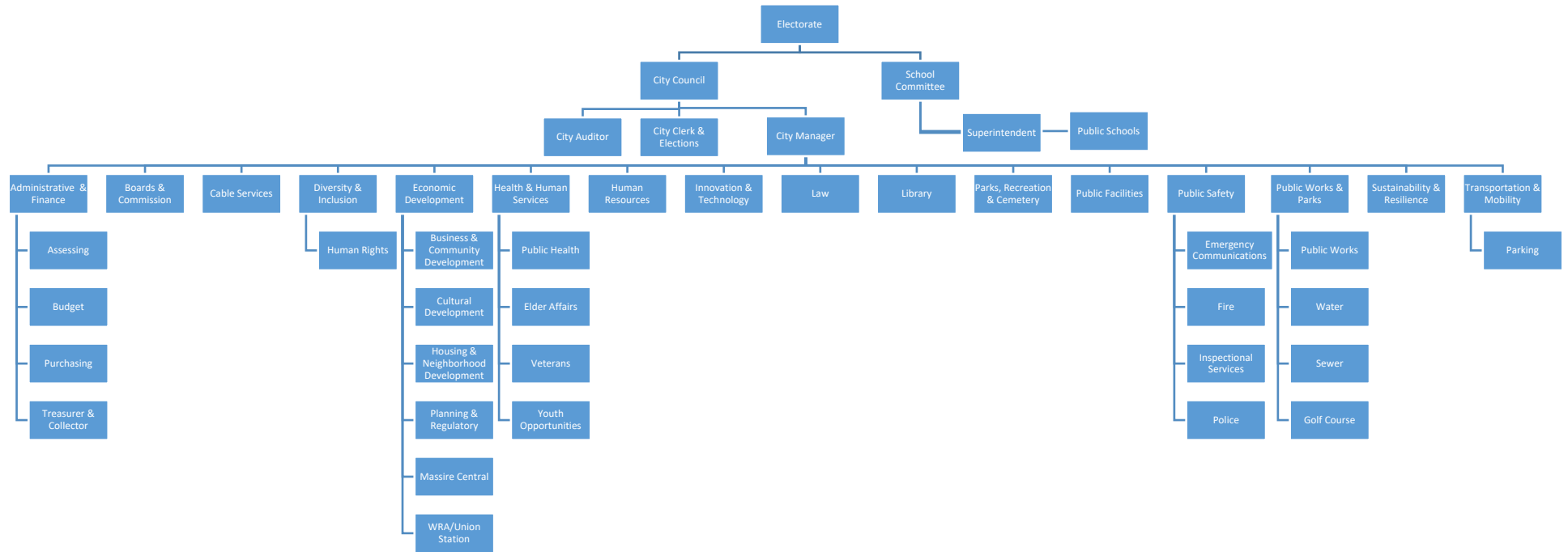
CITY MANAGER*
ASSISTANT CITY MANAGER
INTERIM HHS COMMISSIONER
FIRE CHIEF
INSPECTIONAL SERVICES COMMISSIONER
CITY SOLICITOR
COMMISSIONER OF DPW&P
COMMISSIONER TRANSPORTATION & MOBILITY
CHIEF OF POLICE
EMERGENCY COMMUNICATIONS ACTING DIR.
CHIEF DEVELOPMENT OFFICER
CHIEF FINANCIAL OFFICER
SUPERINTENDENT OF SCHOOLS
CHIEF FIN. & OPERATIONS OFFICER W.P.S.
BUDGET DIRECTOR, W.P.S.
DIRECTOR OF PUBLIC LIBRARY
EXECUTIVE DIRECTOR, RETIREMENT
CITY CLERK*
CITY AUDITOR*
DEPUTY CITY AUDITOR
DIRECTOR OF ACCOUNTS, AUDITING
DIRECTOR OF INNOVATION & TECHNOLOGY
TREASURER & COLLECTOR
BUDGET DIRECTOR
CITY ASSESSOR
PURCHASING AGENT
CHIEF SUSTAINABILITY OFFICER
CHIEF OF PUBLIC FACILITIES

Eric D. Batista
Hung Nguyen
Alex R. Arriaga
Martin Dyer
Nicholas J. Antanavica
Alexandra H. Kalkounis
John K. Westerling
Stephen S. Rolle
Paul B. Saucier
Charles R. Goodwin
Peter Dunn
Timothy J. McGourthy
Dr. Rachel Monárrez
Brian E. Allen
Sara Consalvo
Jason L. Homer
Lisa Poske
Nikolin Vangjeli
Robert V. Stearns
Naeem Butt
Kimberly J. Laino
Michael P. Hamel
Francisco Hernandez
Erin E. Taylor
Samuel E. Konieczny
Christopher J. Gagliastro
John W. Odell
James Bedard

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

City of Worcester Organizational Chart

As of June 30, 2025





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, 2024

Christopher P. Morill

Executive Director/CEO

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 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, 2025 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2024), 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2024), 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 82.5%, 102.6% and 94.8%, 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. 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. The financial statements of the District were not audited in accordance with *Government Auditing Standards*.

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 and other auditors have applied certain limited 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.

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

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 15, 2025, 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 15, 2025

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CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(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, 2025, 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 2025 by \$675,268.
- The City's total net position increased by \$40,872 or 5.7% during the year.
- The City's net pension liability \$354,743 net of deferred outflows and deferred inflows related to pensions \$(2,259) decreased over the previous fiscal year balances by \$34,491.
- The City's net OPEB liability \$1,085,857 net of deferred outflows and deferred inflows related to OPEB \$260,682 increased over the previous fiscal year by \$13,959.
- The City's capital assets (net) totaled \$1,776,345, a net increase of \$5,518 or 0.3% during fiscal 2025.
- The City's leases receivable totaled \$64,055 and its related deferred inflows of resources totaled \$54,699.
- The City's total long-term debt totaled \$1,049,948, a net decrease of \$18,485 or 1.7% during fiscal 2025.

Governmental Funds (Modified Accrual Basis) Financial Statements Highlights

- The City's general fund balance decreased \$7,952 or 8.1% during the year to \$90,383.
- At the end of fiscal 2025, the unassigned portion of the general fund was \$90,383 or 10.0% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2025, was \$6,385. This amount is unassigned in the general fund and available for appropriation in fiscal 2026.

Overview of the Financial Statements

This discussion and analysis intend 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.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

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

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

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

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.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

- **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 discreetly 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 34 through 36 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 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 balance 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 31 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, and the city grants fund which are considered major funds and can be found on pages 37 and 39. 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 142 through 143 and the combining balance sheet and statement of revenue and expenditures are provided on pages 144 through 155.

The City adopts an annual budget for its general fund which is included in the required supplementary information shown on pages 117 through 124. The City also adopts annual budgets for each of its enterprise funds shown in the supplementary schedules on pages 156 through 158.

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.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

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 41 through 43.

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

The fiduciary funds financial statements can be found on pages 44 through 45.

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 46 through 115.

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 117 through 141.

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 142 through 162) and statistical section (pages 163 through 191). A glossary begins on page 192.

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 case, liabilities and deferred inflows exceeded assets and deferred outflows by \$675,268 at the close of the most recent fiscal year and are summarized as follows:

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 474,014	562,281	79,711	58,077	553,725	620,358
Lease receivable	62,931	64,042	-	-	62,931	64,042
Capital assets	1,526,478	1,516,557	249,867	254,270	1,776,345	1,770,827
Total assets	2,063,423	2,142,880	329,578	312,347	2,393,001	2,455,227
Deferred outflows of resources	106,523	179,072	3,349	4,993	109,872	184,065
Long-term liabilities	2,310,232	2,451,736	257,266	254,707	2,567,498	2,706,443
Other liabilities	178,965	231,340	5,974	7,238	184,939	238,578
Total liabilities	2,489,197	2,683,076	263,240	261,945	2,752,437	2,945,021
Deferred inflows of resources	413,605	397,505	12,099	12,906	425,704	410,411
Net position:						
Net investment in capital assets	694,261	676,679	44,337	49,438	738,598	726,117
Restricted	100,415	83,945	-	-	100,415	83,945
Unrestricted	(1,527,532)	(1,519,253)	13,251	(6,949)	(1,514,281)	(1,526,202)
Total net position	\$ (732,856)	(758,629)	57,588	42,489	(675,268)	(716,140)

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 \$(1,514,281). However, this balance includes outstanding pension obligation bonds of \$44,270 for which there are no offsetting assets in the governmental funds. Additionally, the City owes \$147 for debt related to the 2008 Blackstone Valley Visitors Center which was destroyed by fire and there is a total of \$4 of debt for the airport which is no longer owned by the City. Absent the debt there is a balance of \$(1,469,860) of unrestricted net position.

At the end of fiscal 2025, the City can report positive balances in water and sewer net positions for business-type activities and all but unrestricted net position in the governmental activities.

The long-term liabilities decreased \$138,945 or 5.1% because of a decrease of \$40,586 in the net pension liability because of investment gains and changes in actuarial valuations through December 31, 2024, and a decrease in the net OPEB liability of \$72,671 because of investment returns and an increase in the discount rate. Long term debt for capital decreased \$18,485 from the issuance of general obligation bonds totaling \$62,720 and new notes for equipment \$2,664 net of amounts redeemed \$83,869 and premiums from the bond sales net of current amortization decreased \$1,990. Other net decreases to long term liabilities totaled \$5,213.

Governmental activities had a net decrease in other liabilities of \$52,375 or 22.6%. Unearned revenue decreased \$44,236 because of the recognition of prepaid grant funds during the year. Accounts payable, retainage payable and accrued liabilities decreased in aggregate \$4,766 due to the timing of the payment invoices and other liabilities decreased \$3,373.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Governmental activities capital assets net of depreciation and amortization increased by \$9,921 or 0.7% during fiscal 2025; additions to capital assets for acquisitions totaled \$100,255, depreciation and amortization totaled \$90,334. The largest acquisitions of capital assets during fiscal 2025 included continued construction costs of the new Doherty High School \$47,337; street and sidewalks \$16,776, parks improvements \$19,247; additions to right of use assets from new leases \$2,664; acquisition of rolling equipment \$5,880; South Division fire station replacement \$1,384, public safety data modernization \$595, DCU improvements including its sound system and network systems \$3,055, other capital assets \$3,317.

The City's total net position increased by \$40,872 or 5.7%, summarized as follows:

Statements of Activities

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 52,176	60,815	89,314	82,963	141,490	143,778
Operating grants and contributions	628,527	577,941	-	-	628,527	577,941
Capital grants and contributions	13,328	67,967	274	1,166	13,602	69,133
General revenues:						
Property taxes	399,918	374,834	-	-	399,918	374,834
Motor vehicle excise taxes	19,321	19,585	-	-	19,321	19,585
Intergovernmental	52,290	49,992	-	-	52,290	49,992
Other	46,266	43,063	-	-	46,266	43,063
Total revenues	1,211,826	1,194,197	89,588	84,129	1,301,414	1,278,326
Expenses:						
General government	65,996	53,203	-	-	65,996	53,203
Public safety	177,953	183,212	-	-	177,953	183,212
Health and human services	12,095	10,457	-	-	12,095	10,457
Education	742,163	693,909	-	-	742,163	693,909
Public works	59,270	55,842	-	-	59,270	55,842
Culture and recreation	40,611	38,965	-	-	40,611	38,965
Community development	48,054	37,516	-	-	48,054	37,516
Interest on debt	26,603	26,010	-	-	26,603	26,010
Water	-	-	31,991	28,216	31,991	28,216
Sewer	-	-	54,197	54,351	54,197	54,351
Golf course	-	-	1,783	1,778	1,783	1,778
Total expenses	1,172,745	1,099,114	87,971	84,345	1,260,716	1,183,459
Change in net position before transfers and contributions	39,081	95,083	1,617	(216)	40,698	94,867
Transfers	(13,482)	1,080	13,482	(1,080)	-	-
Contributions	174	124	-	-	174	124
Change in net position	25,773	96,287	15,099	(1,296)	40,872	94,991
Net position – beginning	(758,629)	(854,916)	42,489	43,785	(716,140)	(811,131)
Net position – ending	\$ (732,856)	(758,629)	57,588	42,489	(675,268)	(716,140)

Governmental activities – Governmental activities as shown in the statement of activities increased the City's net position by \$25,773 for the year ended June 30, 2025, compared to an increase of \$96,287 for the previous fiscal year. The increase in net position in governmental activities is explained by the following changes in revenue and expenses.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Total governmental activities program and general revenues were \$1,211,826 and increased \$17,631 or 1.5% over the previous fiscal year.

Governmental Activities Program Revenues

Charges for services totaled \$52,176 and represented 4.3% of total governmental activity revenues and decreased \$8,639 or 14.2% from the previous fiscal year. There was a reclassification of energy credits in FY 2025 \$2,870; premiums from sale of debt decreased \$500; sewer connection program fees are now included in sewer business activities \$1,713; parking revenue decreased \$331; collection on trash bag sales decreased \$813; surcharges on the downtown business district decreased \$493; emergency medical system fees decreased \$211; foreclosure fees decreased \$155; revenue from DCU operations decreased \$249. The largest source of charges for services by function is from public safety which totaled \$28,392 and represented 54.4% of the total charges for services and decreased 3% from the prior year. Public safety services include police details as reported in the special revenue fund and related administrative fees reported in the general fund adjusted to an accrual basis with total revenue recognized of \$15,387, a decrease of \$508 over the prior year. Building permits totaled \$8,218, a decrease of \$161.

Operating grants and contributions revenue totaled \$628,527 representing 51.9% of total governmental activity revenues and increased \$50,586 or 8.8% over the previous fiscal year. The largest portion of operating grants is for educational purposes totaling \$543,142 or 86.4% of the total and increased \$28,450 or 5.5% over the previous fiscal year. State aid for Worcester public schools under M.G.L. Chapter 70 totaled \$377,440, an increase of \$19,899 or 5.6% over the previous fiscal year primarily due to a 5.6% increase in the foundation budget because of a 5.2% increase in the per pupil rates and a 0.4% increase in paid enrollment. The on-behalf-of payments to the teachers' retirement system by the state increased \$11,654. State and federal educational grants totaled \$51,793, a decrease of \$17,453 primarily because of a decrease in Covid-19 educational related grant expenditures and school nutrition revenue increased \$11,851 because of a temporary delay in reimbursements in claims reimbursements from the prior year of \$8,876 settled in the current year. General government operating grant revenues totaled \$40,820 and increased \$23,023 over the prior year primarily because of a net increase in revenue recognition of \$22,741 related to COVID-19 grants through ARP.

Capital grant revenues totaled \$13,328 and represented 1.1% of total governmental activity revenues decreasing \$54,639 or 80.4% over the previous fiscal year primarily due to the timing of revenue recognition for school construction projects and its state aid which decreased \$55,138.

Governmental Activities General Revenues

Property tax revenue totaled \$399,918 and represented 33.0% of total governmental activity revenues and increased \$25,084 or 6.7% primarily because of additional commitments for tax increases and tax on new growth. The increase over previous fiscal year tax commitments totaled \$8,058 or 2.1% and taxes on new growth totaled \$10,018 and or 2.6%.

Other general revenues totaled \$117,877 and represented 9.7% of total governmental activity revenues and increased \$5,237 or 4.6% over the previous fiscal year primarily because of an increase in intergovernmental revenue through state aid of \$2,298, and energy sales that increased \$2,714 because of a reclassification from the prior year that was included in charges for services.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Governmental Activities Expenses

Expenses of governmental activities totaled \$1,172,745 and increased over the previous fiscal year by \$73,631 or 6.7%. General government expenses increased 24.0%, public safety decreased 2.9%, health and human services expenses increased 15.7%, educational expenses increased 7.0%, public works expenses increased 6.1%, culture and recreation expenses increased 4.2%, community development expenses increased 28.1%, and interest expense increased 2.3% from the previous fiscal year.

General government includes the activities of eighteen departments including legislative, administrative, economic development, public facilities, environmental, finance and technology. General government expenses totaled \$65,996 representing 5.6% of total governmental activities and increased \$12,793 or 24.0% over the previous fiscal year. There were 262 employees in general government at year end compared to a total of 236 as of the previous fiscal year end, an increase of 26. Salaries, overtime and fringe benefits increased \$3,673 or 18.9% primarily because of an increase in positions, scheduled step increases, and cost of living increases of 3.0% to 4.5% on some groups. OPEB expense decreased \$755 to updates to the actuarial valuation. Expenses from city grants related to general governmental increased \$4,475 over the previous fiscal year primarily because of noncapital grant expenditures from ARP funding.

Public safety expenses included police, fire, inspection, and emergency communications and totaled \$177,953 and represented 15.2% of the total governmental activities decreasing \$5,259 or 2.9% from the previous fiscal year. There were 1,080 employees at the end of the year compared to 1,067 as of the previous fiscal year end for an increase of 13. Salaries and overtime costs for public safety operations and police details increased \$11,626 or 10.0% from the previous fiscal year primarily because of union contract settlements that included cost of living increases from 7.0% to 8.25% for multiple years for several groups as well as step increases and regraded positions and a net increase in positions. OPEB expense for public safety decreased \$8,999 and pension expense decreased \$2,012.

Health and human services expenses totaled \$12,095 or 1.0% of total governmental activities, increasing \$1,638 or 15.7% from the previous fiscal year. There were 51 employees at the end of the year compared to 51 as of the previous fiscal year end. OPEB expense for health and human services increased \$2,075.

Education expenses include basic education for grades K - 12 as well as pre-K, nutrition and grant supplemental expenses. Education expenses totaled \$742,163 and represented 63.3% of total governmental activity expenses increasing \$48,254 or 7.0% over the previous fiscal year. There were 4,623 full-time permanent employees at the end of the year compared to 4,694 as of the previous fiscal year end. General operating salaries increased \$7,989 or 2.5% as there was a cost-of-living increase of 3% for most groups and there was a decrease in the number of workers at year-end by 71. State assessments for charter schools, special education and school choice increased \$3,693 or 8.5%. OPEB expense for education increased \$4,730 while pension expense for the city plan decreased \$615 and the on-behalf of payments for the state teacher's retirement system increased \$11,654 after an update to actuarial valuations. Other fringe benefits increased \$6,118 or 7.3%. Expenditures related to the school nutrition programs increased \$3,836. Depreciation increased \$5,026 primarily because of a new high school put into service during the year.

Public works expenses include the divisional activities of the Department of Public Works including administrative and finance division; engineering and architecture; street and sanitation; and central garage. Also included in this

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

reporting group is the Department of Transportation and Mobility. Public works expenses totaled \$59,270 representing 5.1% of total governmental activities and increased \$3,428 or 6.1% from the previous fiscal year. There were 169 employees at the end of the year compared to 156 as of the previous fiscal year-end for an increase of 13. Salaries and wages increased \$1,139 or 15.1% from the previous fiscal year because of scheduled step increases and cost of living increases provided to some groups and increase in the number of positions filled. OPEB expense for public works increased \$3,530. Snow removal operations increased \$1,141 or 27.6%. Ordinary maintenance increased \$2,208.

Culture and recreation expenses include activities of park and library departments and totaled \$40,611 or 3.5% of total governmental activities and increasing \$1,646 or 4.2% over the previous fiscal year. There were 143 employees in parks and library at the end of the year compared to 141 as of the previous fiscal year end. Salaries and fringe benefits increased \$1,484 or 14.3% due to increase number of workers and salary increases. Depreciation expense increased \$842. OPEB expense decreased \$2,068.

Community development expenses totaled \$48,054 or 4.1% of governmental activities and increased \$10,538 or 28.1%. Liquidating expenses paid from ARP commitments, paid out of the city grants fund, for affordable housing, food hub, economic development projects and other community-based projects increased \$12,416 over the prior year. Community development block grant expenditures decreased \$2,143 and Masshire grant expenses for career services and planning decreased \$1,653 due to timing of grant expenditures.

Interest expense on debt totaled \$26,603 or 2.3% of total governmental activities expenses and increased \$593 from the prior year.

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.

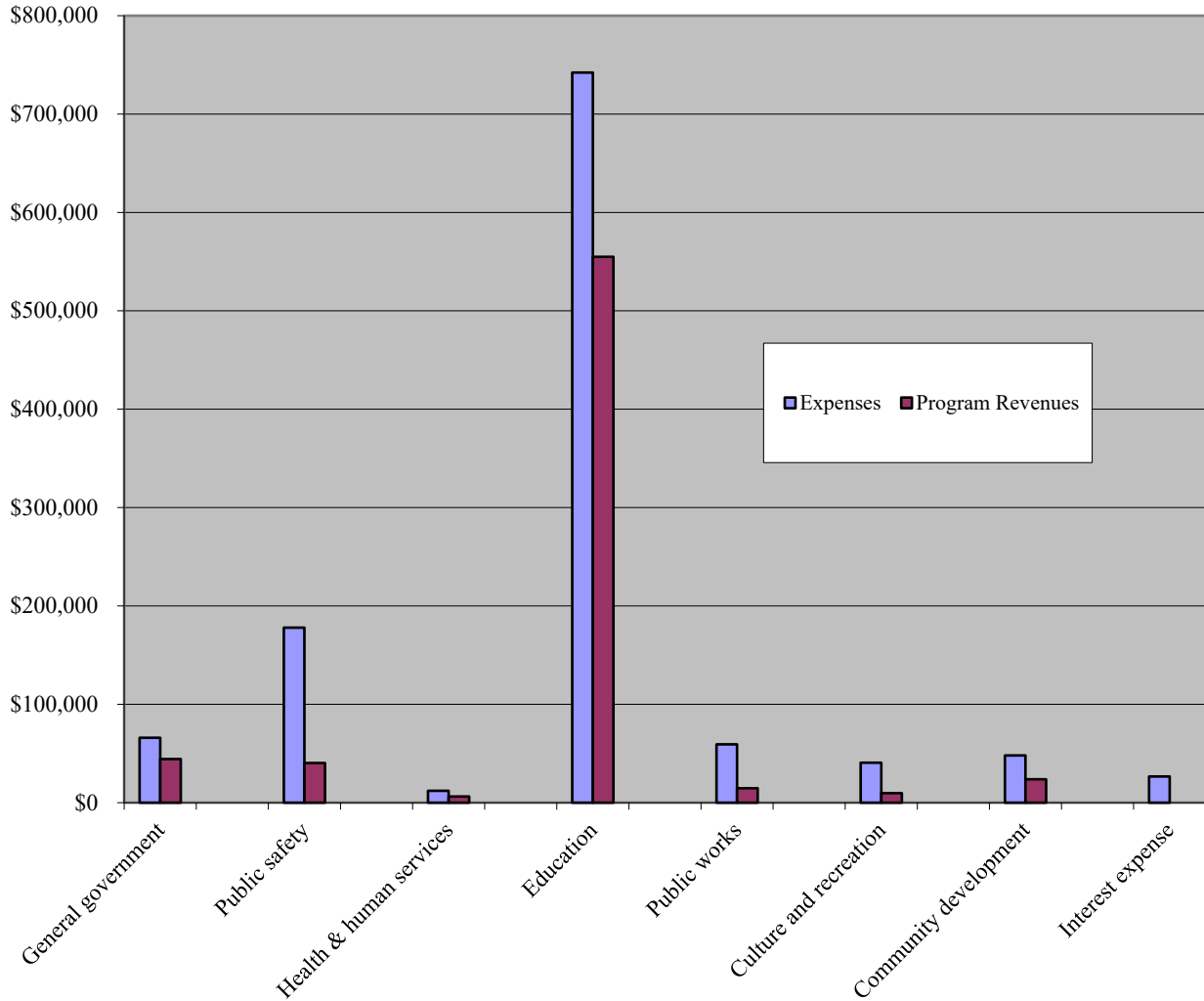
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

FY 2025 Expenses and Program Revenues– Governmental Activities



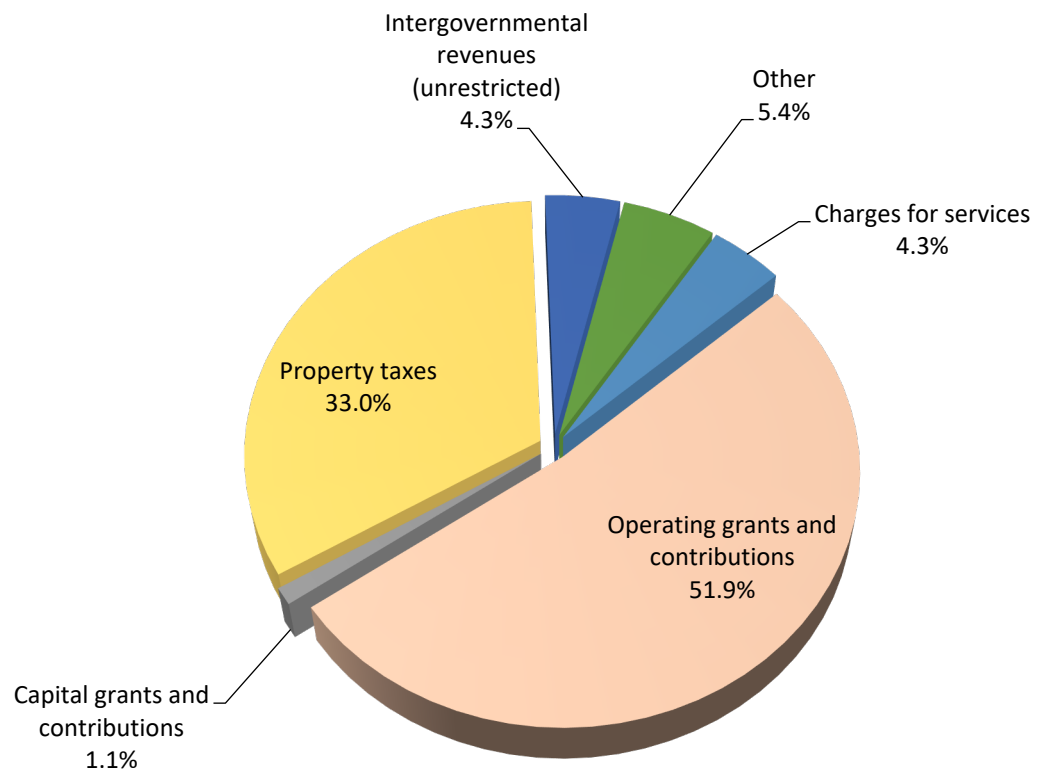
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

FY 2025 Revenues by Source – Governmental Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

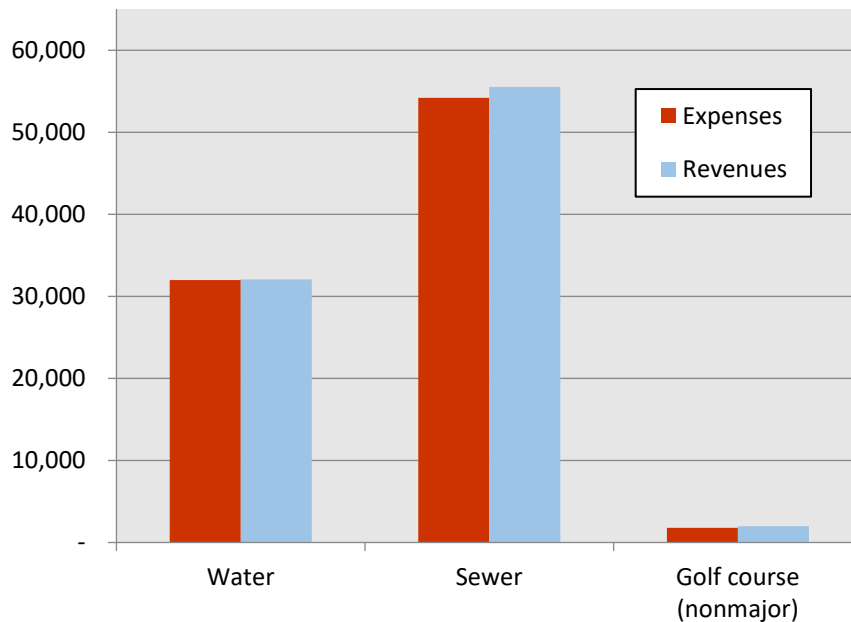
June 30, 2025

(In thousands of dollars)

Business-type activities – Business-type activities increased the City's net position by \$15,099.

- The water fund had operating income of \$1,691 and a decrease in net position of \$1,391. This follows the previous year's operating income of \$8,986 and an increase in net position of \$6,743. Water rates increased 1.1% over the previous fiscal year. There were 104 employees at the end of the fiscal year compared to 86 as of the previous fiscal year end. Salaries and fringe benefits increased \$1,025 or 10.1%. Ordinary maintenance expenses increased \$2,430 or 60.4%. The net investment in capital assets decreased \$4,200.
- The sewer fund had operating income of \$5,007 and an increase in net position of \$16,305. This follows the previous year's operating loss of \$5,175 and a decrease in net position of \$8,058. Sewer rates increased 4.0% over the previous fiscal year. There were 59 employees at the end of the fiscal year compared to 52 as of the previous fiscal year end. Salaries and fringes increased \$262 or 3.6%. In fiscal 2025 the special revenue fund for sewer connection fees was transferred to the sewer fund increasing revenue by \$2,291. The net investment in capital assets decreased \$912.
- The golf course fund (non-major) had operating income of \$238 and an increase in net position of \$185. This follows the previous year's operating income of \$73 and an increase in net position of \$18. Revenues increased \$172 or 9.5% from the previous year. There were 3 full-time employees employed at the golf course at year end compared to 3 employees as of the previous fiscal year end. The net investment in capital assets increased \$11.

FY 2025 Expenses and Program Revenues – Business-type Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Financial Analysis of the City's Funds

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. 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 2025, the City's governmental funds reported combined ending fund balances of \$260,717 a decrease of \$31,539 or 10.8% from fiscal 2024. Fund balance includes \$20,644 of non-spendable amounts contained in nonexpendable permanent funds and \$90,383 of unassigned general fund balance available for spending at the City's discretion subject to state certification. Deficits of \$13,194 in non-major funds will be funded in future fiscal years through bond proceeds and collection of fees. The remaining fund balance has \$97,606 restricted for specific purposes or by federal or state grants, \$53,435 of funds committed for future debt service and \$11,843 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 2025 the general fund's unassigned balance was \$90,383 or 10.0% of total general fund revenues. The general fund decreased \$7,952 over the previous fiscal year. General fund property tax revenue increased \$27,882 or 7.5% over the prior year because of 9.4% growth in taxable assessed property valuations that allowed the City to assess property taxes within the statutory limits under proposition 2.5 as well as assessments on new property added to the tax rolls. The City's unused tax levy, the amount of taxes under the limit the City could assess, was \$25,836. State aid for educational purposes increased \$19,898 that was used in the school department's operations. Departmental expenses other than the school department increased \$31,952, state charges for charter and other school assessments increased \$3,693, debt service including transfer to the debt service fund increased \$5,204, and fringe benefits other than the school department increased \$9,105.

The debt service fund is a major fund reported by the City and had a fund balance of \$53,435 at the end of fiscal 2025, an increase of \$2,016 over the previous year. The fund includes eleven individual funds dedicated to the defeasance of debt. Two of the funds relate to district improvement financing arrangements with dedicated revenue streams including property tax revenue and one fund relates to special legislation with dedicated hotel and meal excise taxes as dedicated revenue streams. This includes the DCU Capital Improvement fund with dedicated revenue from hotel and meals excise, the ballpark fund with tax increment financing agreements and revenues from two leases, and a fund dedicated to the CitySquare district that includes revenue from tax increment financing. In addition, the City makes transfers to prefund the defeasance of planned high school building replacement. During the year revenue and transfers totaled \$31,087 and interest income earned on cash balances in the funds and from lease receivables totaled \$2,122. Debt service totaled \$32,012 for fiscal 2025. Interest income and lease revenue from the two baseball district leases totaled \$3,025.

The City Grants fund is a special revenue fund and was considered a major fund in fiscal 2025 because assets exceeded 10% of total governmental fund assets. Fund balance at year-end totaled \$6,394 and decreased \$1,431 from the prior year. The City had unearned revenue totaling \$63,430 as of June 30, 2025 including funds received in advance totaling \$61,821 from the federal government's American Rescue Plan (ARP) which had not been expended as of year-end.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Other governmental funds are non-major funds of special revenue funds, capital project funds, and permanent funds and reported in detail in exhibits A-1 and A-2. The funds decreased \$24,172 to an ending fund balance of \$110,505 as of June 30, 2025. The non-major special revenue funds as reported on schedule A-2 decreased by \$1,354 as revenues of \$141,335 and premiums on issuance of bonds and notes of \$524 were less than net transfers out of \$16,258 and expenditures of \$126,955. The non-major capital project funds decreased \$25,391 as revenues of \$13,478, net transfers in from other funds \$2,882, and bond proceeds and related premiums of \$45,408 were less than expenditures of \$87,159. Permanent funds increased \$2,572 as net investment income of \$2,744 and donations received of \$174 exceeded expenses of \$286 and net transfers out to other funds of \$60.

Enterprise funds – The City's enterprise funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail. Net position of the enterprise funds at the end of fiscal 2025 totaled \$57,588. There was a \$15,099 increase in net position from current year's operations. The water fund decreased its net position by \$1,391 while the sewer fund had an increase of \$16,305 and the golf course fund (non-major) had an increase of \$185. Unrestricted net position consisted of (\$10,244) in the water fund, \$23,855 in the sewer fund and (\$360) in the golf course fund (non-major). Net investment in capital assets consisted of \$43,588 in the water fund, \$225 in the sewer fund and \$524 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 \$478 higher than the original estimated revenues due to an increase in state aid. The final budget for transfers-in increased by \$1,011 over original budget estimates due primarily from transfers from the reserve for cable access franchise fees to finance internet costs \$477 and transfers from premium on loans to cover debt issuance costs \$398.

The final general fund expenditure budget was \$14,796 higher and transfers out were \$11,865 higher than the original budget. The increase in budgeted expenses was funded through free cash, of beginning fund balance, appropriations that totaled \$25,172. The budgeted contingency of \$6,678 from the original budget was transferred to cover the cost-of-living increases in departmental salary lines.

The general fund had a net decrease in the budgetary basis fund balance of \$10,742 during the year and was higher than the budgeted deficit of \$25,172 by \$14,430. By comparison, the net changes in the previous three fiscal years were \$12,561, \$7,140, and \$13,617.

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, 2025, totaled \$1,776,345. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure, right to use assets, and construction in progress, net of depreciation and amortization. The net increase in the City's investment in capital assets for the current year was \$5,518 or 0.3%. Governmental activities increased by \$9,921 or 0.7% and business-type activities decreased by \$4,403 or 1.7%. Governmental activities fixed asset acquisitions totaled \$100,255 and depreciation for the year totaled \$90,335.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

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

- Streets and sidewalks were improved with capitalized costs added to infrastructure totaling \$16,776.
- Capitalized park improvement costs including construction-in-progress added \$16,203 in fiscal 2025.
- Capitalized building improvements including construction in progress added \$53,476 in fiscal 2025. The replacement of Doherty High School with a budget of \$314,352 added construction-in-progress in fiscal 2025 totaling \$46,647 and capitalized in-service costs of \$293,424. Other additions for building improvement projects totaled \$7,655 for the fiscal year including construction in progress on the new south division fire station \$1,384, other school building improvements \$2,582, improvements to the DCU Center including replacing the sound system \$2,929, improvements to other buildings \$760.
- Capitalized costs for rolling equipment that cost \$50 or more totaled 53 new vehicles that totaled \$5,880 across eleven departments.
- Capitalized furniture and equipment totaled \$5,256.
- Right of use assets acquired during the year totaled \$2,664 for student laptops.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$17,130. Of this amount, \$5,679 was for sewer infrastructure and building projects, \$8,862 for water infrastructure and building projects, and \$52 for golf course improvements in-progress. Rolling equipment for water and sewer totaled \$2,537.

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

		Capital assets (net of accumulated depreciation)					
		Governmental activities		Business-type activities		Total	
		2025	2024	2025	2024	2025	2024
<u>Capital assets, other</u>							
Land	\$	49,871	49,871	9,169	9,169	59,040	59,040
Buildings		994,350	736,153	16,188	17,321	1,010,538	753,474
Improvements, other than buildings		171,216	165,784	-	-	171,216	165,784
Equipment and other		46,941	48,916	1,139	1,394	48,080	50,310
Rolling equipment		33,401	33,147	6,063	4,298	39,464	37,445
Infrastructure		177,861	178,150	217,235	221,784	395,096	399,934
Construction in progress		8,932	259,044	73	304	9,005	259,348
Total capital assets, other		<u>1,482,572</u>	<u>1,471,065</u>	<u>249,867</u>	<u>254,270</u>	<u>1,732,439</u>	<u>1,725,335</u>
<u>Capital assets, right of use assets</u>							
Facilities and land use		39,865	42,769	-	-	39,865	42,769
Equipment		4,041	2,723	-	-	4,041	2,723
Total capital assets, right of use		<u>43,906</u>	<u>45,492</u>	<u>-</u>	<u>-</u>	<u>43,906</u>	<u>45,492</u>
Total capital assets	\$	<u>1,526,478</u>	<u>1,516,557</u>	<u>249,867</u>	<u>254,270</u>	<u>1,776,345</u>	<u>1,770,827</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Long-term debt - At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$1,049,948, a decrease of \$18,485 or 1.7% from the prior fiscal year. General obligation bonds totaling \$993,671 comprises debt backed by the full faith and credit of the City.

	Long-term debt					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 788,427	810,950	205,244	198,965	993,671	1,009,915
Notes from direct borrowings	4,652	6,165	3,026	3,271	7,678	9,436
Lease liabilities	48,599	49,082	-	-	48,599	49,082
Total	\$ 841,678	866,197	208,270	202,236	1,049,948	1,068,433

On March 17, 2025, the City issued general obligation bonds totaling \$62,720 for current projects. The proceeds consisted of \$43,025 for governmental activities and \$19,695 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.

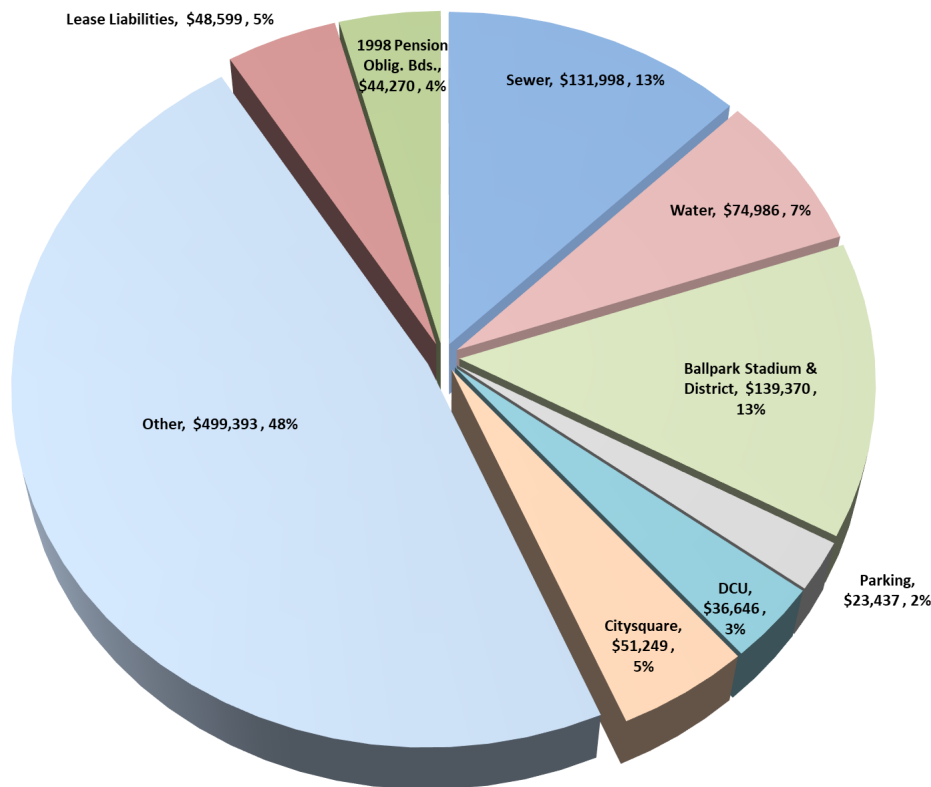
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Long-term debt as of June 30, 2025



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. CitySquare DIF is supported by 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, parking revenue and ballpark ancillary revenues. Debt service reserves at the end of the year for CitySquare DIF totaled \$325, the ballpark DIF \$246, and the DCU special district \$9,396.

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.

CITY OF WORCESTER, MASSACHUSETTS

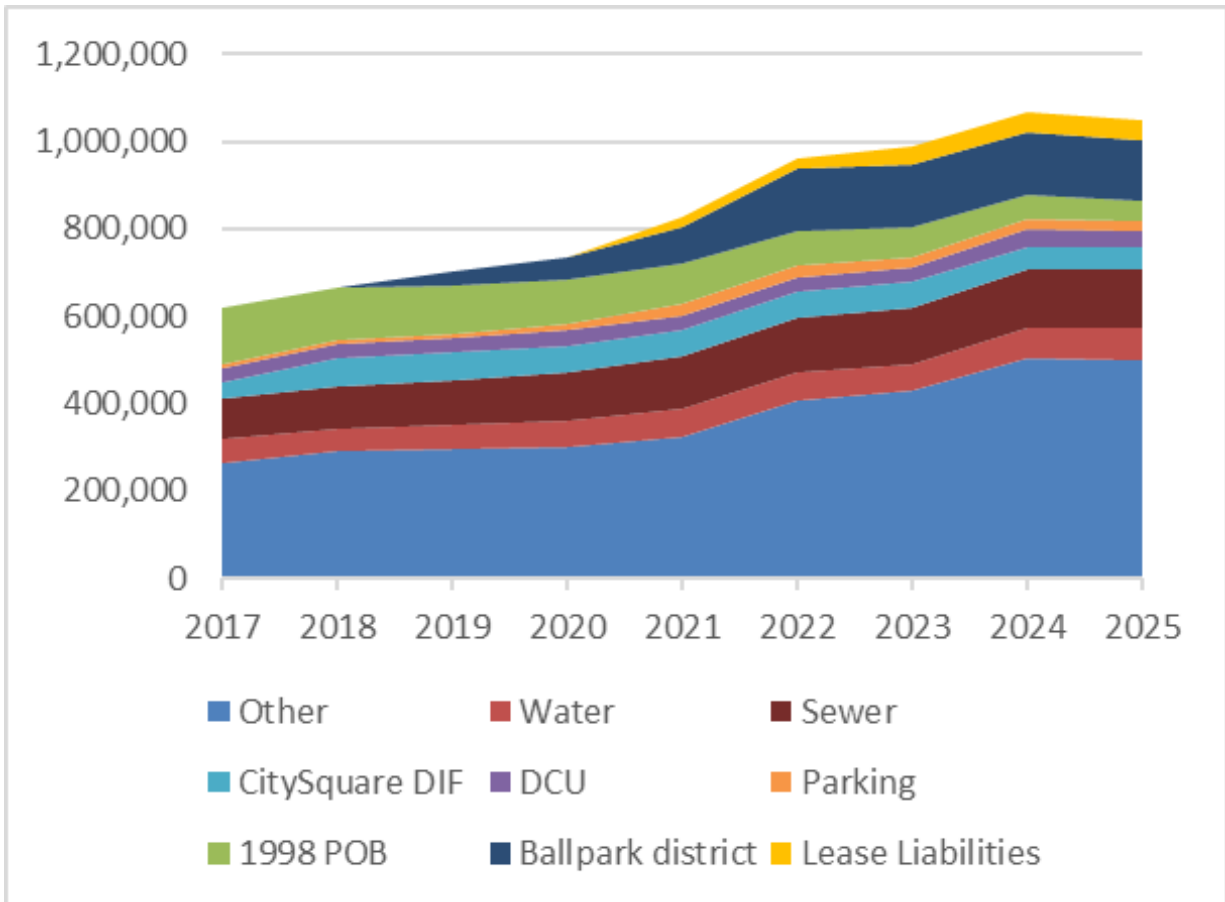
Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Other outstanding long-term debt totaled \$499,393 and is paid primarily by the general fund. This includes outstanding long-term debt related to school buildings \$246,632 other public buildings \$50,056, energy efficiency and renewable projects \$48,183, streets and sidewalks \$82,208, parks \$52,923, equipment \$15,495, golf course \$1,287, and other purposes \$2,609. Debt service reserves related to school buildings, parks and the planned construction of a new fire station totaled \$34,111.

Long-term debt, ten-year trend



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

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to Massachusetts' Department of Economic Research, the City's unemployment rate was 5.2% as of June 30, 2025, compared with a 4.8% rate that existed a year earlier. The state and national unemployment figures as of June 30, 2025, were 4.8% and 4.4%, respectively.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2025

(In thousands of dollars)

Taxable assessed property values increased 9.4% to \$24,328,753 in fiscal 2025 of which new growth valuations was \$423,239 or 1.9%. Residential real estate totaled \$19,207,534 and increased 9.4%; commercial and industrial real estate totaled \$3,805,485 and increased 6.9%; and personal property totaled \$1,315,734 a net increase of 18.0%.

The fiscal 2026 general fund budget anticipates total revenues of \$947,809 and transfers from other funds of \$119 compared with actual results of \$902,509 and \$2,390 respectively in fiscal 2025. It is anticipated that property tax revenue will increase by \$18,971 or 4.8% 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 an available unused tax levy capacity of \$25,836 as of June 30, 2025, 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 \$34,340 or 9.1%. Other revenue categories were budgeted at approximately level to fiscal 2025.

The fiscal 2026 general fund budget anticipates total expenditures of \$925,935 and transfers to other funds of \$21,993 compared with actual results of \$882,772 and \$32,869 in the previous fiscal year. Fiscal 2026 budgeted expenditures and transfers out increased over the previous fiscal year actual amounts by \$32,287 or 3.5%, including \$30,632 or 6.2% for the school department's budget, \$3,299 or 7.0% for charter school and other educational state assessments, and other expenditures increased \$5,800 while OPEB contributions budgeted transfers for fiscal 2026 are less than fiscal 2025 actual transfers by \$7,444.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer, water and golf funds are each budgeted to have revenue equal expenditures and transfers out. The fiscal 2026 sewer fund is budgeted to receive \$54,838 in total revenues, \$2,865 more than the previous fiscal year actual and water revenue is budgeted to receive \$31,922 in total revenues, \$208 less than the previous fiscal year actual. Sewer rates increased by 4.1% from the previous fiscal year and water rates increased 0.8%. The golf course anticipates revenues of \$2,002 and no subsidies from the general fund in fiscal 2026, which is \$19 more than the previous fiscal year actual revenue.

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, 2025

	Component units				
	Primary government		Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District	
	Governmental activities	Business-type activities			
Assets:					
Current assets:					
Cash and cash equivalents	\$ 220,008,495	36,908,072	256,916,567	700,376	1,167,767
Restricted cash and cash equivalents	158,323,163	14,571,494	172,894,657	-	-
Restricted investments	31,157,048	-	31,157,048	-	24,992,617
Receivables (net of allowance for uncollectibles)	27,930,668	28,232,089	56,162,757	109,391	1,029,667
Intergovernmental receivables	35,470,630	-	35,470,630	-	-
Lease receivable	1,123,962	-	1,123,962	516,007	-
Prepaid expenses	-	-	-	4,795	36,364
Total current assets	474,013,966	79,711,655	553,725,621	1,330,569	27,226,415
Noncurrent assets:					
Intergovernmental receivables	-	-	-	-	1,403,451
Lease receivable	62,930,584	-	62,930,584	1,877,676	-
Capital assets, not being depreciated	58,804,289	9,241,059	68,045,348	5,007,407	10,417,178
Capital assets, net of accumulated depreciation	1,467,673,605	240,625,763	1,708,299,368	27,256,270	127,929,365
Total noncurrent assets	1,589,408,478	249,866,822	1,839,275,300	34,141,353	139,749,994
Total assets	2,063,422,444	329,578,477	2,393,000,921	35,471,922	166,976,409
Deferred outflows of resources:					
Related to pensions	15,800,277	1,209,809	17,010,086	-	2,186,282
Related to OPEB	90,722,942	2,139,218	92,862,160	-	919,240
Related to refunding	-	-	-	-	103,447
Total deferred outflows of resources	106,523,219	3,349,027	109,872,246	-	3,208,969
Liabilities:					
Current liabilities:					
Accounts payable	85,612,225	3,063,123	88,675,348	415,606	2,584,772
Accrued liabilities	17,512,455	2,187,074	19,699,529	-	1,729,974
Retainage payable	3,488,737	723,518	4,212,255	-	-
Unearned revenue	65,599,400	-	65,599,400	-	-
Other liabilities	6,752,438	-	6,752,438	451,035	-
Temporary notes payable	-	-	-	-	4,651,933
Noncurrent liabilities due within one year	92,324,993	15,671,190	107,996,183	26,580,536	8,920,563
Total current liabilities	271,290,248	21,644,905	292,935,153	27,447,177	17,887,242
Noncurrent liabilities:					
Net pension liability	339,514,422	15,228,241	354,742,663	-	10,762,534
Net OPEB liability	1,061,333,008	24,524,046	1,085,857,054	-	1,249,246
Other noncurrent liabilities due in more than one year	817,059,570	201,843,108	1,018,902,678	6,646,309	107,876,098
Total noncurrent liabilities	2,217,907,000	241,595,395	2,459,502,395	6,646,309	119,887,878
Total liabilities	2,489,197,248	263,240,300	2,752,437,548	34,093,486	137,775,120
Deferred inflows of resources:					
Related to pensions	11,657,377	3,094,069	14,751,446	-	317,529
Related to OPEB	345,396,330	8,148,032	353,544,362	-	984,389
Related to refunding	1,851,755	856,474	2,708,229	-	-
Related to lease receivables	54,699,411	-	54,699,411	2,178,944	-
Total deferred inflows of resources	413,604,873	12,098,575	425,703,448	2,178,944	1,301,918
Net position:					
Net investment in capital assets	694,261,177	44,336,850	738,598,027	17,672,061	21,251,919
Restricted for:					
Nonexpendable permanent funds:					
Libraries	8,194,149	-	8,194,149	-	-
Hope Cemetery	6,474,066	-	6,474,066	-	-
Health and human services	3,761,754	-	3,761,754	-	-
Other nonexpendable permanent funds	2,214,421	-	2,214,421	-	-
Expendable permanent funds:					
Libraries	6,135,321	-	6,135,321	-	-
Hope Cemetery	1,692,255	-	1,692,255	-	-
Health and human services	1,630,520	-	1,630,520	-	-
Other expendable permanent funds	1,313,076	-	1,313,076	-	-
State and federal grants	10,629,341	-	10,629,341	-	-
Culture & recreation grants	6,105,699	-	6,105,699	-	-
General government grants	23,211,480	-	23,211,480	-	-
Health and human services grants	2,343,578	-	2,343,578	-	-
Public safety grants	4,809,820	-	4,809,820	-	-
Public works grants	6,770,225	-	6,770,225	-	-
Educational grants	15,129,077	-	15,129,077	-	-
Unrestricted (deficit)	(1,527,532,417)	13,251,779	(1,514,280,638)	(18,472,569)	9,856,421
Total net position	\$ (732,856,458)	57,588,629	(675,267,829)	(800,508)	31,108,340

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2025

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	\$ 65,995,673	3,543,727	40,820,482	-	(21,631,464)
Public safety	177,953,417	28,392,436	11,947,448	-	(137,613,533)
Health and human services	12,095,161	586,382	5,668,981	-	(5,839,798)
Education	742,163,374	3,265,809	543,142,636	8,452,800	(187,302,129)
Public works	59,271,018	11,420,860	382,645	2,899,969	(44,567,544)
Culture and recreation	40,610,556	3,777,355	3,952,453	1,975,648	(30,905,100)
Community development	48,054,184	1,189,349	22,612,393	-	(24,252,442)
Interest on debt	26,602,536	-	-	-	(26,602,536)
Total governmental activities	1,172,745,919	52,175,918	628,527,038	13,328,417	(478,714,546)
Business-type activities:					
Water	31,991,108	31,872,440	-	195,825	77,157
Sewer	54,197,261	55,459,222	-	78,300	1,340,261
Golf course (nonmajor)	1,782,753	1,983,065	-	-	200,312
Total business-type activities	87,971,122	89,314,727	-	274,125	1,617,730
Total primary government	\$ 1,260,717,041	141,490,645	628,527,038	13,602,542	(477,096,816)
Component units:					
Worcester Redevelopment Authority	\$ 5,199,744	579,727	-	1,305,305	(3,314,712)
Upper Blackstone Water Pollution Abatement District	32,196,835	33,991,750	-	521,443	2,316,358
Total component units	\$ 37,396,579	34,571,477	-	1,826,748	(998,354)

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2025

	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)	\$ (478,714,546)	1,617,730	(477,096,816)	(3,314,712)	2,316,358
General revenues:					
Property taxes	399,918,015	-	399,918,015	-	-
Motor vehicle excise taxes	19,320,500	-	19,320,500	-	-
Other taxes and in-lieu payments	12,161,049	-	12,161,049	-	-
Penalties and interest on taxes	3,219,753	-	3,219,753	-	-
Intergovernmental (unrestricted)	52,289,686	-	52,289,686	-	577,288
Investment earnings	21,399,549	-	21,399,549	111,042	1,613,028
Energy sales and rebates	4,448,945	-	4,448,945	-	-
Miscellaneous	5,037,374	-	5,037,374	-	-
Transfers (net)	(13,482,230)	13,482,230	-	-	-
Total general revenues and transfers (net)	504,312,641	13,482,230	517,794,871	111,042	2,190,316
Contributions to permanent funds	174,290	-	174,290	-	-
Sub-total	504,486,931	13,482,230	517,969,161	111,042	2,190,316
Change in net position	25,772,385	15,099,960	40,872,345	(3,203,670)	4,506,674
Net position - beginning	(758,628,843)	42,488,669	(716,140,174)	2,403,162	26,601,666
Net position - ending	\$ (732,856,458)	57,588,629	(675,267,829)	(800,508)	31,108,340

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2025

	General	Debt Service	City Grants	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 118,851,538	44,079,672	-	12,142,661	175,073,871
Restricted cash and cash equivalents	-	-	69,708,761	88,614,402	158,323,163
Restricted investments	-	-	-	31,157,048	31,157,048
Due from other funds	35,076,462	-	-	-	35,076,462
Receivables (net of allowance for uncollectibles)	22,613,214	64,054,546	-	4,737,404	91,405,164
Intergovernmental receivables	847,793	-	4,752,098	29,870,739	35,470,630
Total assets	\$ 177,389,007	108,134,218	74,460,859	166,522,254	526,506,338
Liabilities:					
Accounts payable	\$ 60,697,211	-	3,489,489	10,212,152	74,398,852
Due to other funds	-	-	-	35,076,462	35,076,462
Retainage payable	-	-	1,146,725	2,342,012	3,488,737
Unearned revenue	-	-	63,430,398	2,169,002	65,599,400
Other liabilities	5,272,438	-	-	1,480,000	6,752,438
Total liabilities	65,969,649	-	68,066,612	51,279,628	185,315,889
Deferred inflows of resources:					
Unavailable revenue-property taxes	11,627,485	-	-	1,099,590	12,727,075
Unavailable revenue-other	9,409,033	-	-	3,637,814	13,046,847
Related to lease receivable	-	54,699,411	-	-	54,699,411
Total deferred inflows of resources	21,036,518	54,699,411	-	4,737,404	80,473,333
Fund balances:					
Nonspendable	-	-	-	20,644,390	20,644,390
Restricted	-	-	6,394,247	91,211,567	97,605,814
Committed	-	53,434,807	-	11,843,491	65,278,298
Unassigned	90,382,840	-	-	(13,194,226)	77,188,614
Total fund balances	90,382,840	53,434,807	6,394,247	110,505,222	260,717,116
Total liabilities, deferred inflows of resources, and fund balances	\$ 177,389,007	108,134,218	74,460,859	166,522,254	526,506,338

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, 2025

Total governmental fund balances (Exhibit 3)	\$ 260,717,116
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	1,526,477,894
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	
Unavailable revenue-property taxes	12,727,075
Unavailable revenue-other	13,046,847
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.	27,308,860
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.	(10,520,015)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds.	4,142,900
Deferred outflows and inflows of resources of OPEB are not reported in government funds.	(254,673,388)
Deferred inflows of resources related to refunding debt are not reported in government funds.	(1,851,755)
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)	(282,063,569)
General obligation bonds (outside debt limit)	(506,364,972)
Deferred amounts on bond premium	(36,326,880)
Notes payable - equipment	(4,652,506)
Right to use lease liability	(48,598,708)
Net pension liability	(339,514,422)
Net OPEB liability	(1,061,333,008)
Judgments and claims	(12,153,721)
Compensated absences	(19,224,206)
Net position of governmental activities (Exhibit 1)	<u>\$ (732,856,458)</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, 2025

	General	Debt Service	City Grants	Other governmental funds	Total governmental funds
Revenues:					
Property taxes	\$ 397,860,941	-	-	-	397,860,941
Motor vehicle excise taxes	18,730,249	-	-	-	18,730,249
Other taxes and in-lieu payments	7,455,416	4,936,581	-	-	12,391,997
Penalties and interest on taxes	3,219,753	-	-	-	3,219,753
Licenses and permits	10,239,312	-	-	-	10,239,312
Intergovernmental	444,023,603	-	61,744,907	111,515,072	617,283,582
Charges for services	6,805,325	-	16,795	28,877,270	35,699,390
Fines and forfeitures	3,230,526	-	-	-	3,230,526
Investment earnings (losses)	9,619,720	4,097,644	3,035,148	4,647,037	21,399,549
Donations	-	100	493,405	3,016,362	3,509,867
Contributions to permanent funds	-	-	-	174,290	174,290
Energy sales and rebates	1,578,686	-	-	2,870,259	4,448,945
Lease revenue	-	1,868,574	-	-	1,868,574
Miscellaneous	2,959,614	505,183	-	6,631,246	10,096,043
Total revenues	905,723,145	11,408,082	65,290,255	157,731,536	1,140,153,018
Expenditures:					
Current:					
General government	36,760,539	-	9,568,341	5,771,382	52,100,262
Public safety	121,027,296	-	11,665,467	22,069,133	154,761,896
Health and human services	4,082,922	-	4,439,020	304,717	8,826,659
Education	402,909,364	-	-	129,655,079	532,564,443
Public works	30,638,851	-	3,980,104	21,016,064	55,635,019
Culture and recreation	16,125,091	-	8,694,492	17,524,678	42,344,261
Fringe benefits	168,177,716	-	-	-	168,177,716
Community development	-	-	27,830,634	15,027,624	42,858,258
State and regional charges	52,101,739	-	-	-	52,101,739
Debt service:					
Principal	46,506,060	16,815,468	-	2,225,683	65,547,211
Interest	15,887,133	15,196,215	-	805,333	31,888,681
Total expenditures	894,216,711	32,011,683	66,178,058	214,399,693	1,206,806,145
Excess (deficiency) of revenues over expenditures	11,506,434	(20,603,601)	(887,803)	(56,668,157)	(66,653,127)
Other financing sources (uses):					
Transfers in	2,351,355	22,619,951	-	18,030,655	43,001,961
Transfers out	(24,473,873)	-	(543,661)	(31,466,657)	(56,484,191)
Premium on issuance of bonds and notes	-	-	-	2,907,043	2,907,043
Issuance of bonds	-	-	-	43,025,087	43,025,087
Lease financing	2,664,000	-	-	-	2,664,000
Total other financing sources (uses)	(19,458,518)	22,619,951	(543,661)	32,496,128	35,113,900
Net change in fund balances	(7,952,084)	2,016,350	(1,431,464)	(24,172,029)	(31,539,227)
Fund balances – beginning	98,334,924	51,418,457	7,825,711	134,677,251	292,256,343
Fund balances – ending	\$ <u>90,382,840</u>	<u>53,434,807</u>	<u>6,394,247</u>	<u>110,505,222</u>	<u>260,717,116</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2025

Net change in fund balances - total governmental funds (Exhibit 5) \$ (31,539,227)

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	100,255,324
Depreciation	(90,334,589)

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.

2,943,115

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	(43,025,087)
Bond and note maturities	67,059,900
Additions to right to use lease liability	(2,664,000)
Right to use lease liability maturities	3,147,196
Net deferrals and amortization of bond premiums and deferred charges	2,919,318

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.

1,262,236

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.

(7,800,950)

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	32,119,805
OPEB expense	(13,950,860)
Judgments and claims	(935,972)
Compensated absences	(2,813,824)
Landfill closure and post closure care	9,130,000

Change in net position of governmental activities (Exhibit 2)

\$ 25,772,385

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
Assets:					
Current assets:					
Cash and cash equivalents	\$ 16,632,987	19,722,332	552,753	36,908,072	44,934,624
Restricted cash and cash equivalents	8,991,647	5,599,843	(19,996)	14,571,494	-
Receivables (net)	5,903,018	22,329,071	-	28,232,089	580,050
Total current assets	31,527,652	47,651,246	532,757	79,711,655	45,514,674
Noncurrent assets:					
Capital assets:					
Land	9,051,738	116,500	-	9,168,238	-
Construction-in-progress	21,000	-	51,821	72,821	-
Buildings	48,518,512	5,484,174	958,453	54,961,139	-
Infrastructure	227,860,452	324,674,700	3,831,573	556,366,725	-
Equipment and other	4,436,806	473,224	-	4,910,030	-
Rolling equipment	6,099,273	13,906,921	-	20,006,194	-
Less accumulated depreciation	(180,486,583)	(212,138,582)	(2,993,160)	(395,618,325)	-
Capital assets, net	115,501,198	132,516,937	1,848,687	249,866,822	-
Total assets	147,028,850	180,168,183	2,381,444	329,578,477	45,514,674
Deferred outflows of resources:					
Related to pensions	746,910	441,303	21,596	1,209,809	-
Related to OPEB	1,406,380	706,898	25,940	2,139,218	-
Related to debt refunding	-	-	-	-	-
Total deferred outflows of resources	2,153,290	1,148,201	47,536	3,349,027	-
Liabilities:					
Current liabilities:					
Accounts payable	1,625,466	1,316,727	120,930	3,063,123	11,213,374
Accrued liabilities	757,107	1,411,033	18,934	2,187,074	6,992,440
Retainage payable	532,433	191,085	-	723,518	-
Judgments and claims	287,552	101,253	-	388,805	-
Compensated absences	418,838	244,704	33,306	696,848	-
Other	341,770	432,082	4,462	778,314	-
Bonds and notes payable	5,669,920	7,960,651	176,652	13,807,223	-
Total current liabilities	9,633,086	11,657,535	354,284	21,644,905	18,205,814
Noncurrent liabilities:					
Judgments and claims	632,036	134,156	-	766,192	-
Compensated absences	74,635	61,542	18,147	154,324	-
Net pension liability	9,635,450	5,267,798	324,993	15,228,241	-
Net OPEB liability	16,036,058	8,199,135	288,853	24,524,046	-
Other	2,690,388	3,746,872	22,309	6,459,569	-
Bonds and notes payable	69,315,606	124,037,115	1,110,302	194,463,023	-
Total noncurrent liabilities	98,384,173	141,446,618	1,764,604	241,595,395	-
Total liabilities	108,017,259	153,104,153	2,118,888	263,240,300	18,205,814
Deferred inflows of resources:					
Related to pensions	2,148,741	905,762	39,566	3,094,069	-
Related to OPEB	5,357,671	2,691,509	98,852	8,148,032	-
Related to debt refunding	314,652	534,408	7,414	856,474	-
Total deferred inflows of resources	7,821,064	4,131,679	145,832	12,098,575	-
Net position (deficit):					
Net investment in capital assets	43,587,690	225,367	523,793	44,336,850	-
Unrestricted	(10,243,873)	23,855,185	(359,533)	13,251,779	27,308,860
Total net position (deficit)	\$ 33,343,817	24,080,552	164,260	57,588,629	27,308,860

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, 2025

	Business-type activities			Governmental activities
	Major		Nonmajor	Internal Service Fund
	Water	Sewer	Golf Course	
				Totals
Operating revenues:				
Charges for services	\$ 31,454,132	55,360,750	-	86,814,882
Employer contributions	-	-	-	-
Employee contributions	-	-	-	-
Fees	-	-	1,828,838	1,828,838
Miscellaneous	418,308	98,472	154,227	671,007
Total operating revenues	31,872,440	55,459,222	1,983,065	89,314,727
Operating expenses:				
Salaries and benefits	11,185,972	7,532,006	525,552	19,243,530
Benefit payments	-	-	-	-
Ordinary maintenance	6,450,626	27,005,130	982,405	34,438,161
Indirect costs	3,152,899	3,967,984	43,006	7,163,889
Depreciation	9,391,728	11,947,258	194,011	21,532,997
Total operating expenses	30,181,225	50,452,378	1,744,974	82,378,577
Operating income (loss)	1,691,215	5,006,844	238,091	6,936,150
Nonoperating revenues (expenses):				
Investment income	-	-	-	-
Interest expense	(1,809,883)	(3,744,883)	(37,779)	(5,592,545)
Total nonoperating revenues (expenses)	(1,809,883)	(3,744,883)	(37,779)	(5,592,545)
Income (loss) before capital grants and transfers	(118,668)	1,261,961	200,312	1,343,605
Capital grants and donations	195,825	78,300	-	274,125
Transfers in	157,728	15,576,398	3,179	15,737,305
Transfers out	(1,625,707)	(611,611)	(17,757)	(2,255,075)
Change in net position	(1,390,822)	16,305,048	185,734	15,099,960
Total net position – beginning	34,734,639	7,775,504	(21,474)	42,488,669
Total net position – ending	\$ 33,343,817	24,080,552	164,260	57,588,629

See accompanying notes to basic financial statements.

Exhibit 9

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2025

	Business-type activities				Governmental activities
	Major		Nonmajor		Internal Service Fund
	Water	Sewer	Golf Course	Totals	
Cash flows from operating activities:					
Receipts from customers	\$ 31,934,244	51,973,320	1,983,065	85,890,629	129,216,849
Payments for interfund service provided	-	-	-	-	(129,631,487)
Payments to suppliers	(9,935,111)	(31,789,880)	(1,071,932)	(42,796,923)	-
Payments to employees	(12,815,738)	(8,112,953)	(542,389)	(21,471,080)	-
Net cash provided (used) by operating activities	9,183,395	12,070,487	368,744	21,622,626	(414,638)
Cash flows from noncapital financing activities:					
Transfers in	157,728	15,576,398	3,179	15,737,305	-
Transfers (out)	(1,625,707)	(611,611)	(17,757)	(2,255,075)	-
Net cash provided (used) by noncapital financing activities	(1,467,979)	14,964,787	(14,578)	13,482,230	-
Cash flows from capital and related financing activities:					
Intergovernmental subsidies and grants	195,825	78,300	-	274,125	-
Issuance of capital debt (long & short) including principal and premiums	22,217,519	11,816,823	14,376	34,048,718	-
Acquisition and construction of capital assets	(10,238,818)	(6,930,656)	(51,820)	(17,221,294)	-
Principal paid on capital debt	(14,429,903)	(12,726,185)	(172,040)	(27,328,128)	-
Interest paid on capital debt	(2,305,353)	(4,309,212)	(53,051)	(6,667,616)	-
Net cash provided (used) by capital and related financing activities	(4,560,730)	(12,070,930)	(262,535)	(16,894,195)	-
Cash flows from investing activities:					
Investment income	-	-	-	-	656,804
Net increase (decrease) in cash and cash equivalents	3,154,686	14,964,344	91,631	18,210,661	242,166
Cash and cash equivalents at beginning of year (includes \$7,871,579, \$5,090,633 and \$13,693 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	22,469,948	10,357,831	441,126	33,268,905	44,692,458
Cash and cash equivalents at end of year (includes \$8,991,647, \$5,599,843 and \$0 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	\$ 25,624,634	25,322,175	532,757	51,479,566	44,934,624
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,691,215	5,006,844	238,091	6,936,150	(8,457,755)
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	9,391,728	11,947,258	194,011	21,532,997	-
Net deferred outflows, pension and OPEB	832,133	779,785	31,713	1,643,631	-
Net OPEB liability	(1,360,547)	(610,430)	(30,535)	(2,001,512)	-
Net deferred inflows, pension and OPEB	(490,140)	55,962	3,969	(430,209)	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	61,804	(3,485,902)	-	(3,424,098)	309,888
Accounts payable	(488,546)	(691,068)	(46,521)	(1,226,135)	7,135,217
Accrued liabilities	-	-	-	-	598,012
Judgments and claims payable	156,960	(125,698)	-	31,262	-
Compensated absences payable	79,153	30,552	26,345	136,050	-
Net pension liability	(690,365)	(836,816)	(48,329)	(1,575,510)	-
Total adjustments	7,492,180	7,063,643	130,653	14,686,476	8,043,117
Net cash provided (used) by operating activities	\$ 9,183,395	12,070,487	368,744	21,622,626	(414,638)
Non-cash investing and financing activities:					
Purchase of capital assets with accounts payable and retention payable	\$ 1,412,046	1,180,285	3,755	2,596,086	-

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Position

June 30, 2025*

	Pension and OPEB Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 3,813,701	503,888
Investments, at fair value:		
Equities	4	-
Fixed income	129,474,967	-
Pooled equities	366,144,892	-
Pooled fixed income	50,102,594	-
External investment pool	561,943,512	-
Real estate	53,757,818	-
Alternative investments	323,240,999	-
Total investments	1,484,664,786	-
Receivables:		
Accrued interest and dividends	457,829	-
Due from Commonwealth of Massachusetts and other systems	2,492,173	-
Other receivables	257,131	-
Total receivables	3,207,133	-
Total assets	1,491,685,620	503,888
Liabilities:		
Accounts payable and accrued expenses	133,243	70,599
Due to Commonwealth of Massachusetts and other systems	2,906,692	-
Total liabilities	3,039,935	70,599
Net position:		
Net position restricted for pensions	1,427,310,538	
Net position restricted for OPEB	61,335,147	
Net position restricted for other	-	433,289
Total net position	\$ 1,488,645,685	433,289

* Except for the Pension Trust Fund (December 31, 2024)

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, 2025*

	Pension and OPEB Trust Funds	Custodial Funds
Additions:		
Contributions from:		
Employers	\$ 118,577,145	-
Plan members	26,775,396	-
Total contributions	145,352,541	-
Investment earnings:		
Interest and dividends	30,686,733	484
Net realized and unrealized gains	96,023,625	-
Less: management fees	(7,669,273)	-
Net investment income	119,041,085	484
Other	4,400,755	468,833
Total additions	268,794,381	469,317
Deductions:		
Benefit payments to plan members and beneficiaries	142,524,703	-
Reimbursements to other systems	3,148,069	-
Refunds and transfers of plan member accounts to other systems	6,290,905	-
Administrative expenses	742,169	-
Other	-	409,508
Total deductions	152,705,846	409,508
Net increase (decrease) in net position	116,088,535	59,809
Net position restricted for pensions, OPEB and other – beginning	1,372,557,150	373,480
Net position restricted for pensions, OPEB and other – ending	\$ 1,488,645,685	433,289

* Except for the Pension Trust Fund (for the fiscal year ended December 31, 2024)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(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, 2025, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2024.

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 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.

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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 can 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 government member 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

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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 advisory board. The City's representative has been 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. For fiscal 2025 WRTA operations was funded by federal (5.4%) and state (77.1%) assistance and assessments from member communities (17.4%). In fiscal 2025 and since the start of the COVID pandemic, the WRTA suspended and waived passenger fares. Annual increases in member communities' assessments are limited to 2.5% plus their proportionate share of new transit service costs incurred during the year. The City's assessment from the WRTA for fiscal 2025 amounted to \$4,377, which represented approximately 71.1% 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) Government-Wide and Fund Financial Statements

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

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

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

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, the component unit financial statements, and the proprietary and fiduciary, including custodial funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Property taxes are recognized as revenues in

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

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- **Debt Service Fund** – The debt service fund was established as special stabilization funds to reduce the impact of debt service costs on future budgets.
- **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.

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.

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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.

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

Cash Equivalents

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

Basis of Investment Valuation

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

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

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of estimated uncollectibles. In the governmental funds financial statements property tax revenues have been recorded using the modified accrual basis of accounting, which is described in note 1(d). The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated uncollectibles.

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

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

Inventory

The cost of supplies and other inventorable items for governmental funds are recorded as an expenditure at the time of purchase (purchase method). The cost of supplies and other inventorable items for enterprise funds are valued using the first-in/first-out (FIFO) method. No significant inventory balances were on hand at June 30, 2025, and therefore are not reported.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost 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 2025. 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

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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.

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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 or is more likely than not to be paid. 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 a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The primary government has two items that qualify for reporting in this category. Deferred outflows related to pensions and OPEB are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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 five 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 financial statements in accordance with GASB Statement No. 87. Deferred inflows related to refunding are reported for gains on debt refunding. 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

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Notes to the Basic Financial Statements

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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 specific future use. The City reports the following net position restrictions:

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

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

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

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

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

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

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

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

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“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.

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 are composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivables.

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

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when the liability is estimable. In the proprietary and government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

Long-Term Liabilities

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

Investment Income

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

Use of Estimates

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

Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(2) Property Taxes

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

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(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 2025, the original general fund expenditure budget, excluding intergovernmental charges, increased by \$14,619. In fiscal 2025, expenditures were less than budgetary estimates for intergovernmental expenditures by \$581.

(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, 2025, \$214,005 of the City's bank balances of \$452,508 was insured and collateralized with securities held by pledging financial institutions or through participation in a private insurer's fund and \$238,503 was uninsured and uncollateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

Investments Summary (City)

The City's investments as of June 30, 2025, 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.....	\$ 65,943	65,943	-	-	-
U.S. Treasuries.....	10	10	-	-	-
Fixed income securities.....	10,585	10,585	-	-	-
External investment pools.....	<u>267,934</u>	<u>267,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>344,472</u>	<u>\$ 344,472</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other investments:</u>					
Equity mutual funds.....	<u>20,394</u>				
Total investments.....	<u>\$ 364,866</u>				

Investments - Interest Rate Risk of Debt Securities (City)

Interest rate risk of 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, 2025, 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

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trust fund investments are identified in the individual trust agreements. As of June 30, 2025 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, 2025:

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..... \$	10	10	-	-
Fixed income securities.....	10,585	10,585	-	-
Total debt securities.....	10,595	10,595	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	20,394	20,394	-	-
Total investments by fair value level.....	30,989	\$ 30,989	-	-
<u>Investments measured at the net asset value (NAV)</u>				
External investment pools.....	267,934			
Other investments measured at NAV.....	267,934			
Total investments measured at fair value..... \$	298,923			

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

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for the first \$250 of deposits held at each financial institution. As of December 31, 2024, the WRS's bank balance of \$4,743 was not exposed to custodial credit risk.

Investments Summary (WRS)

The WRS's investments as of December 31, 2024, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 66,179	\$ -	32,534	21,560	12,085
U.S. Agencies.....	27,718	-	498	3,228	23,992
Corporate bonds.....	31,775	-	10,209	8,335	13,231
Money market mutual funds.....	958	958	-	-	-
External investment pool.....	500,616	500,616	-	-	-
Fixed income mutual funds.....	50,102	50,102	-	-	-
Mortgage backed securities.....	3,093	-	475	-	2,618
Asset backed securities.....	710	-	287	-	423
Total debt securities.....	681,151	\$ 551,676	44,003	33,123	52,349
<u>Other investments:</u>					
Equity mutual funds.....	366,145				
Real estate investments.....	53,758				
Alternative investments.....	323,241				
Total other investments.....	743,144				
Total investments.....	\$ 1,424,295				

Investments - Interest Rate Risk of Debt Securities (WRS)

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

Investments - Custodial Credit Risk (WRS)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are

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either insured and/or registered in the name of the WRS. As of December 31, 2024, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities (WRS)

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS does not have a policy for credit risk of debt securities. As of December 31, 2024, 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.....	\$ -	3,103	-	-	-	540	383	4,026
AA+.....	386	121	-	-	-	-	-	507
AA.....	454	225	-	-	-	-	-	679
AA-.....	667	647	-	-	-	-	-	1,314
A+.....	316	427	-	-	-	-	-	743
A.....	-	2,083	-	-	-	-	-	2,083
A-.....	-	4,942	-	-	-	-	-	4,942
BBB+.....	-	5,962	-	-	-	-	-	5,962
BBB.....	-	7,284	-	-	-	-	327	7,611
BBB-.....	-	559	-	-	-	-	-	559
Unrated.....	25,895	6,422	958	50,103	500,616	2,553	-	586,547
Total.....	\$ 27,718	31,775	958	50,103	500,616	3,093	710	614,973

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

Deposits and Investments – Foreign Currency Risk (WRS)

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2024, the WRS had no exposure to foreign currency risk.

Investments – Concentration of Credit Risk (WRS)

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS's investment in a single issuer. The WRS's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2024, the WRS was not exposed to concentration of credit risk.

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Investments – Fair Value Measurements (WRS)

WRS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. WRS has the following recurring fair value measurements as of December 31, 2024:

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	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.....	\$ 66,179	\$ 66,179	-	-
U.S. Agencies.....	27,718	-	27,718	-
Corporate bonds.....	31,775	-	31,775	-
Fixed income mutual funds.....	50,102	-	50,102	-
Mortgage backed securities.....	3,093	-	3,093	-
Asset backed securities.....	710	-	710	-
Total debt securities.....	179,577	66,179	113,398	-
<u>Equity Securities:</u>				
Equity mutual funds.....	274,041	-	274,041	-
Total equity securities.....	274,041	-	274,041	-
Total investments by fair value level.....	453,618	\$ 66,179	387,439	-
<u>Investments measured at the net asset value (NAV)</u>				
Private equities.....	161,787			
Real estate.....	53,758			
External investment pool (PRIT).....	500,616			
Pooled international equities fund (PRIT).....	92,104			
Other pooled funds (PRIT).....	161,454			
Other investments measured at fair value.....	969,719			
Total investments measured at fair value.....	\$ 1,423,337			

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 classified 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).....	\$ 161,787	44,447	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2).....	53,758	3,159	N/A ⁽²⁾	N/A ⁽²⁾
External investment pool (PRIT) (3).....	500,616	-	N/A ⁽³⁾	N/A ⁽³⁾
Pooled international equities fund (PRIT) (3).....	92,104	-	N/A ⁽³⁾	N/A ⁽³⁾
Other pooled funds (PRIT) (4).....	161,454	46,258	N/A ⁽⁴⁾	N/A ⁽⁴⁾
Total investments measured at the NAV.....	\$ 969,719			

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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 52.6 percent of these investments can be redeemed quarterly with 90 days' notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. For approximately 4.1 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 4 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 74.5 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.

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, 2025, \$976 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, 2025:

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	\$ 11,745	11,745	-	-
Equity securities	13,222	13,222	-	-
Mutual funds	486	-	486	-
Total investments by fair value	25,453	\$ 24,967	486	-
Investments measured at amortized cost:				
MMDT	4,514			
Total Investments	\$ 29,967			

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 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.

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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	\$ 11,745	-	7,735	4,010
Other investments:				
Equity securities	13,222			
Mutual funds	486			
MMDT	4,514			
Total investments	\$ 29,967			

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, 2025, all of the District's investments in U.S. Treasury notes and other U.S. government agency notes were rated Aa1 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, 2025, approximately 39% and 15%, respectively, of the District's total investments were in the form of U.S. Treasury notes and investments in the MMDT. No other individual investment security exceeded 5% of the District's total investments at June 30, 2025.

(d) Deposits of the WRA

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

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Deposits - Custodial Credit Risk (WRA)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRA's deposits may not be recovered. The WRA does not have a policy for custodial credit risk of deposits. As of June 30, 2025, none of the WRA's bank balance of \$625 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), the Worcester Housing Authority and the Worcester Regional Transit Authority.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent employees 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 presented 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, 2024:

Active employees	4,044
Pensioners and beneficiaries	2,745
Inactive employees not entitled to or not receiving benefits	1,413
Inactive employees entitled to or receiving benefits	<u>176</u>
Total members	<u>8,378</u>
Number of participating employers	<u>3</u>

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

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(b) *Benefits Provided (WRS)*

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

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

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

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

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

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

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(c) Contributions (WRS)

Chapter 32 of MGL governs and establishes the contribution requirements of plan members and the City and such requirements may only be amended by state law. Participation in the plan requires that members contribute a fixed percentage of their gross regular compensation (either 5%, 7%, 8% or 9%) each pay period. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employees hired after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into WRS its share of the system-wide actuarially 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 \$424 for the fiscal year ended June 30, 2025 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2024, active member contributions totaled \$26,399 and employer contributions totaled \$69,933. Contributions to WRS from the City were \$64,440 for the year ended June 30, 2025.

(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, 2024, were as follows:

Total pension liability	\$	1,812,291
Plan fiduciary net position		<u>(1,427,310)</u>
Net pension liability	\$	<u>384,981</u>
Plan fiduciary net position as a percentage of the total pension liability		78.76%

At June 30, 2025, the City reported a liability of \$354,743 for its proportionate share of the net pension liability. The measurement date for the net pension liability was December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The City's proportion of the net pension liability is the proportionate share of employer contributions to WRS for the year ended December 31, 2024, actuarially determined. At December 31, 2024, the City's proportion was 92.1 percent, which was 0.3 percentage points higher than the proportion measured as of December 31, 2023.

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For the year ended June 30, 2025, the City recognized pension expense of \$28,060. At June 30, 2025, the City reported deferred outflows (inflows) of resources of \$2,258 related to pensions from the following sources. There were no employer contributions after the measurement date within the reporting period (\$13,523 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	\$ 810	-
Net difference between projected and actual earnings on WRS investments	5,303	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,787	4,887
Differences between expected and actual experience	6,110	9,865
Total	<u>\$ 17,010</u>	<u>14,752</u>

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2025 that will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2026	\$ (5,065)
2027	21,452
2028	(12,729)
2029	(3,462)
2030	1,404
2031	658
	<u>\$ 2,258</u>

(e) Actuarial Assumptions and Methods (WRS)

The total pension liability was determined by an actuarial valuation as of January 1, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Total appropriation increases 3.50% per year through fiscal year 2033 with a 50.07% decrease in 2034.

Remaining amortized period (period is closed)	9 years from July 1, 2025
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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 \$16 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, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2024 through December 31, 2024. There were no changes of assumptions that affected measurement of the total pension liability since the prior measurement date.

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

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

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

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if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. Permanent changes in the WRS's target asset allocation will take place only in response to significant changes in the objectives and constraints of the WRS, or in response to material changes in the fundamental nature or appropriateness of the asset classes themselves. The following was the asset allocation policy as of December 31, 2024:

Asset Class	Target Allocation (%)	Range %
Domestic equity	17	12-22
International developed markets equity	8	4-12
International emerging markets equity	3	0-8
Core fixed income	12	7-17
Value-add fixed income	4	2-6
Real estate	4	2-6
Private equity	7	4-10
PRIT general allocation (CORE) fund	35	0-50
Portfolio completion strategies	3	0-5
Infrastructure	7	4-10
Cash	0	<5
	<u>100</u>	

For the year ended December 31, 2024, the annual money-weighted rate of return on WRS investments, net of investment expense, was 8.81%. 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, 2024 are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return (%)
Domestic equity	5.82
International developed markets equity	5.91
International emerging markets equity	7.06
Core fixed income	1.81
High-yield fixed income	3.34
Real estate	3.34
Commodities	3.82
Hedge fund, global tactical asset allocation, risk parity	2.77
Infrastructure	5.82
Private equity	9.20

(g) Discount Rate (WRS)

The discount rate used to measure the total pension liability was 6.80 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	\$ 592,341	\$ 384,981	\$ 210,573

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	\$ 545,816	\$ 354,743	\$ 194,034

(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, 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*

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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, 2025. The Commonwealth's net pension liability associated with the City was \$722,709.

The MTRS' net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024.

For the year ended June 30, 2025, the City recognized pension expense of \$59,654 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, 2024 measurement date was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024. 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-2021 (gender distinct).</p> <p>Post-retirement - reflects PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).</p> <p>Disability – assumed to be in accordance with PUB-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (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
 2.5% inflation rate
 3.0% cost of living increase per year on the first \$13 per year.

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2024 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	36.0	4.6
Core fixed income	15.0	2.1
Private equity	16.0	7.4
Portfolio completion strategies	10.0	3.7
Real estate	10.0	3.9
Value Added Fixed Income	9.0	5.1
Timber/Natural Resources	4.0	4.4
	<u>100.0</u>	

(f) Discount rate (MTRS)

The discount rate used to measure the MTRS' total pension liability was 7.0 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.

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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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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 2025.

(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 \$639 to MSERS in fiscal year 2025. 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, 2025, the District reported a liability of \$10,762 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2025, 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 0.076% at June 30, 2025, which was consistent with the prior year.

For the year ended June 30, 2025, the District recognized pension expense of \$1,354. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 539	138
Changes in assumptions	77	-
Net difference between projected and actual earnings on plan investments	-	140
Changes in proportionate share of contributions	931	40
District contributions subsequent to the measurement date	639	-
Total	<u>\$ 2,186</u>	<u>318</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>	
2026	\$ (669)
2027	2,516
2028	281
2029	(260)
	<u>\$ 1,868</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, 2024. The significant actuarial assumptions used in the actuarial valuation included:

- 7.0% investment rate of return;
- 3.5% interest rate credited to the annuity savings fund;
- 3.0% cost of living increase on the first \$13 of benefits each year;
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2021, set forward one year for females;
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2021, set forward one year for females; and
 - Disability – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2021, set forward one year.

Experience studies dated February 27, 2014, encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for postretirement mortality.

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(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, 2025, 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	36.0	4.6
Core fixed income	15.0	2.1
Private equity	16.0	7.4
Portfolio completion strategies	10.0	3.7
Real estate	10.0	3.9
Value Added Fixed Income	9.0	5.1
Timber/Natural Resources	4.0	4.4
	<u>100.0</u>	

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 7.0% 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	\$ 15,120	\$ 10,763	\$ 7,076

(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 "City Plan") in accordance with MGL Chapter 32B. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws, and City ordinances. 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.

The number of employees covered by the benefit terms as of June 30, 2025, are as follows:

Inactive employees currently receiving benefit payments	4,201
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>6,439</u>
Total	<u><u>10,640</u></u>

(b) Funding Policy - City

The contribution requirements of City Plan members and the City are established and may but can 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 sufficient funds to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the City Plan are paid by the City.

(c) Methods and Assumptions - City

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

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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, 2025
Valuation date:	July 1, 2024
Actuarial cost method:	Entry Age Normal
Discount rate:	5.32%
Prior year discount rate	4.03%
Inflation rate:	2.50%
Healthcare/Medical cost trend rate:	8.0% for non-Medicare plans and 10% for Medicare plans in fiscal year 2025 decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical trend rate is reached in 2075.
Pre-Retirement Mortality Rates (General and Public Safety employees):	RP-2014 blue collar employee table, generational with projection scale MP-2021.
Healthy Retiree Mortality Rates (General and Public Safety employees):	RP-2014 blue collar healthy annuitant table, generational with projection scale MP-2021.
Disabled Retiree Mortality Rates (General and Public Safety employees):	RP-2014 blue collar healthy annuitant table set one year forward, generational with projection scale MP-2021.
Pre-Retirement Mortality Rates (Teachers):	PUB-2010 teachers' headcount-weighted employee mortality table, base year 2010, projected with generational mortality improvement using Scale MP-2021.

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Healthy Retiree Mortality Rates (Teachers): PUB-2010 teachers' headcount-weighted retiree mortality table, base year 2010, projected with generational mortality improvement using Scale MP-2021.

Disabled Retiree Mortality Rates (Teachers): PUB-2010 teachers' headcount-weighted disabled mortality table, base year 2010, projected with generational mortality improvement using Scale MP-2021.

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-estimated 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, 2025, are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	36.0	4.6
Core fixed income	15.0	2.6
Private equity	16.0	7.8
Portfolio completion strategies	10.0	4.1
Real estate	10.0	4.1
Value Added Fixed Income	9.0	5.3
Timber/Natural Resources	4.0	4.1
	<u>100.0</u>	

Discount rate (City) - The discount rate used to measure the total OPEB liability was 5.32 percent as of the measurement date or of June 30, 2025 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 \$1,085,857 was measured as of June 30, 2025 for the year ended June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

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The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2025:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 1,205,917	\$ 47,389	\$ 1,158,528
Changes for the year:			
Service cost	44,401	-	44,401
Interest	49,581	-	49,581
Differences between expected and actual experience	(91,042)	-	(91,042)
Changes in assumptions/inputs	(21,644)	-	(21,644)
Changes of benefit terms	-	-	-
Employer contributions	-	8,623	(8,623)
Employee contributions	-	377	(377)
Contributions for benefits due	-	40,021	(40,021)
Net investment income	-	4,951	(4,951)
Benefit payments	(40,021)	(40,021)	-
Administrative expenses	-	(5)	5
Net changes	<u>(58,725)</u>	<u>13,946</u>	<u>(72,671)</u>
Balances at June 30, 2025	<u>\$ 1,147,192</u>	<u>\$ 61,335</u>	<u>\$ 1,085,857</u>
Plan fiduciary net position as a percentage of total OPEB liability	5.3%		

(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 5.32%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.32 percent) or 1-percentage-point higher (6.32 percent) than the current rate:

	Discount Rate		
	1% decrease 4.32%	No change 5.32%	1% increase 6.32%
Net OPEB liability	\$ 1,265,601	1,085,857	941,316

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(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 rates as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7%/9% year 1 decreasing to 3%) or 1-percentage point higher (9%/11% year 1 decreasing to 5%) than the current healthcare cost trend rates:

		Healthcare Trend		
		<u>1% decrease</u>	<u>No change</u>	<u>1% increase</u>
Net OPEB liability	\$	921,716	1,085,857	1,294,972

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$62,603.

OPEB Expense	
Service cost	\$ 44,401
Interest on the Total OPEB Liability (TOL)	49,581
Projected earnings on plan investments	(3,561)
Expensed portion of current-period differences between expected & actual experience in the TOL	(17,072)
Expensed portion of current-period differences between actual & projected earnings on plan investments	6
Change of assumptions	(10,380)
Contributions - employees	(377)
OPEB plan administrative expenses	<u>5</u>
Total OPEB expense	\$ <u>62,603</u>

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At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 132,501
Changes in assumptions or other inputs	92,862	219,991
Difference between expected and actual earnings on OPEB plan investments	-	1,052
Total	<u>\$ 92,862</u>	<u>\$ 353,544</u>

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:

2026	\$ (35,436)
2027	(48,802)
2028	(71,670)
2029	(33,566)
2030	(31,774)
Thereafter	(39,434)
	<u>\$ (260,682)</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 "District 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, 2025 are as follows:

Retired employees and survivors	42
Active employees	<u>64</u>
Total	<u>106</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(b) Funding Policy – The District

The contribution requirements of District 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 District Plan are paid by the District.

(c) Investment Policy – The District

The District's investment policy for its OPEB Plan assets seeks to pursue an investment strategy that reduces risk through the prudent diversification of its investment portfolio of assets across a broad selection of distinct investment asset classes. Additionally, the OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth. The following is the intended asset allocation:

Asset Class	Target Allocation
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 2025 was 10.3%. 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 District Plan (The District 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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(in thousands of dollars)

(e) Net OPEB Liability – The District

The District's net OPEB liability was determined using an actuarial valuation as of June 30, 2025 and a measurement date of June 30, 2025. The components of the net OPEB liability of the District at June 30, 2025 were as follows:

Total OPEB liability	\$ 6,226
Plan fiduciary net position	(4,977)
Net OPEB liability	<u>\$ 1,249</u>

Plan fiduciary net position as a percentage of the total OPEB liability	79.9%
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(f) Discount rate – The District

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be 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 payments 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 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, 2025:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 4,929	\$ 4,498	\$ 431
Changes for the year:			
Service cost	211	-	211
Interest	362	-	362
Differences in experience	1,026	-	1,026
Employer contributions	-	302	(302)
Net investment income	-	479	(479)
Benefit payments	(302)	(302)	-
Net changes	<u>1,297</u>	<u>479</u>	<u>818</u>
Balances at June 30, 2025	<u>\$ 6,226</u>	<u>\$ 4,977</u>	<u>\$ 1,249</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(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 or 1-percentage-point higher than the current rate:

	Discount Rate		
	1% decrease (6.25%)	No change (7.25%)	1% increase (8.25%)
Net OPEB liability	\$ 1,964	\$ 1,249	\$ 647

(i) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend—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	\$ 589	\$ 1,249	\$ 2,047

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

For the year ended June 30, 2025, the District recognized OPEB benefit of \$226. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 919	\$ 738
Difference between expected and actual earnings on OPEB plan investments	-	246
Total	\$ 919	\$ 984

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

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

2026	\$	(98)
2027		(203)
2028		(177)
2029		(78)
2030		107
Thereafter		384
	\$	<u>(65)</u>

(10) Accounts Receivable

At June 30, 2025, 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	\$ 12,215	(3,777)	8,438
Tax liens and foreclosures	6,552	(638)	5,914
Motor vehicle excise taxes	4,879	(879)	4,000
Special assessments	1,950	-	1,950
Lease receivable	64,055	-	64,055
Departmental and other	9,026	(1,978)	7,048
	<u>98,677</u>	<u>(7,272)</u>	<u>91,405</u>
Intergovernmental	35,471	-	35,471
Total governmental funds	<u>134,148</u>	<u>(7,272)</u>	<u>126,876</u>
Internal Service Fund			
Self-insured health plan	580	-	580
Total internal service fund	<u>580</u>	<u>-</u>	<u>580</u>
Fiduciary Fund			
Departmental and other	715	-	715
Intergovernmental	2,492	-	2,492
Total fiduciary funds	<u>3,207</u>	<u>-</u>	<u>3,207</u>
Total receivables	<u>\$ 137,935</u>	<u>(7,272)</u>	<u>130,663</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

At June 30, 2025, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Charges for services	\$ 25,383	-	25,383
Utility liens	1,764	-	1,764
Special assessments	759	-	759
Intergovernmental	326	-	326
Total enterprise funds	<u>\$ 28,232</u>	<u>-</u>	<u>28,232</u>

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

	General Fund	Other Governmental Funds	Total
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-property taxes			
Property taxes	\$ 5,713	1,100	6,813
Tax liens	5,914	-	5,914
	<u>11,627</u>	<u>1,100</u>	<u>12,727</u>
Unavailable revenue-other			
Special assessments	1,950	-	1,950
Departmental and other	3,411	3,638	7,049
Motor vehicle excise tax	3,200	-	3,200
Intergovernmental (other state)	848	-	848
	<u>9,409</u>	<u>3,638</u>	<u>13,047</u>
Deferred inflows related to lease receivable	<u>-</u>	<u>54,699</u>	<u>54,699</u>
Total deferred inflows of resources	<u>\$ 21,036</u>	<u>59,437</u>	<u>80,473</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(11) Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 49,871	-	-	49,871
Construction in progress	259,044	52,516	302,628	8,932
Total capital assets not being depreciated	308,915	52,516	302,628	58,803
Capital assets, being depreciated:				
Buildings	1,222,328	300,544	7,023	1,515,849
Right to use leased facilities and land use	71,464	-	-	71,464
Improvements other than buildings	274,230	19,247	-	293,477
Equipment and other	89,794	5,256	224	94,826
Right to use leased equipment	3,148	2,664	-	5,812
Rolling equipment	66,123	5,880	6,917	65,086
Infrastructure	350,530	16,776	-	367,306
	2,077,617	350,367	14,164	2,413,820
Less accumulated depreciation for:				
Buildings	486,175	42,347	7,023	521,499
Right to use leased facilities and land use	28,695	2,904	-	31,599
Improvements other than buildings	108,446	13,815	-	122,261
Equipment and other	40,878	7,231	224	47,885
Right to use leased equipment	425	1,346	-	1,771
Rolling equipment	32,976	5,626	6,917	31,685
Infrastructure	172,380	17,065	-	189,445
	869,975	90,334	14,164	946,145
Total capital assets being depreciated, net	1,207,642	260,033	-	1,467,675
Governmental capital assets, net	\$ 1,516,557	312,549	302,628	1,526,478

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

Governmental activities:	
General government	\$ 6,680
Public safety	4,440
Health and human services	270
Education	34,839
Public works	21,930
Culture and recreation	16,826
Community development	5,349
Total depreciation expense – governmental activities	\$ 90,334

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(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	\$ 9,052	-	-	9,052
Construction in progress	14	16	9	21
Total capital assets, not being depreciated	9,066	16	9	9,073
Capital assets, being depreciated:				
Buildings	48,045	474	-	48,519
Infrastructure	219,479	8,381	-	227,860
Equipment and other	4,437	-	-	4,437
Rolling equipment	5,247	1,409	557	6,099
Total capital assets, being depreciated	277,208	10,264	557	286,915
Less accumulated depreciation for:				
Buildings	32,345	1,387	-	33,732
Infrastructure	132,314	7,477	-	139,791
Equipment and other	3,044	255	-	3,299
Rolling equipment	3,950	272	557	3,665
Total accumulated depreciation	171,653	9,391	557	180,487
Total capital assets, being depreciated, net	105,555	873	-	106,428
Water capital assets, net	114,621	889	9	115,501
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Construction in progress	290	-	290	-
Total capital assets, not being depreciated	407	-	290	117
Capital assets, being depreciated:				
Buildings	5,483	-	-	5,483
Rolling equipment	13,104	1,127	325	13,906
Infrastructure	318,704	5,969	-	324,673
Equipment and other	473	-	-	473
Total capital assets, being depreciated	337,764	7,096	325	344,535
Less accumulated depreciation for:				
Buildings	4,081	177	-	4,258
Rolling equipment	10,103	499	325	10,277
Infrastructure	185,857	11,271	-	197,128
Equipment and other	472	-	-	472
Total accumulated depreciation	200,513	11,947	325	212,135
Total capital assets, being depreciated, net	137,251	(4,851)	-	132,400
Sewer capital assets, net	137,658	(4,851)	290	132,517

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	-	52	-	52
Total capital assets, not being depreciated	-	52	-	52
Capital assets, being depreciated:				
Buildings	958	-	-	958
Infrastructure	3,832	-	-	3,832
Total capital assets, being depreciated	4,790	-	-	4,790
Less accumulated depreciation for:				
Buildings	739	43	-	782
Infrastructure	2,060	151	-	2,211
Total accumulated depreciation	2,799	194	-	2,993
Total capital assets, being depreciated, net	1,991	(194)	-	1,797
Golf capital assets, net	1,991	(142)	-	1,849
Business-type activities capital assets, net	\$ 254,270	(4,104)	299	249,867

	<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	8,622	2,232	1,161	9,693
Total capital assets, not being depreciated	9,347	2,232	1,161	10,418
Capital assets, being depreciated:				
Treatment facilities	280,490	1,343	-	281,833
Equipment and other	20,361	1,032	-	21,393
Total capital assets, being depreciated	300,851	2,375	-	303,226
Less accumulated depreciation for:				
Treatment facilities	153,555	7,752	-	161,307
Equipment and other	12,594	1,396	-	13,990
Total accumulated depreciation	166,149	9,148	-	175,297
Total capital assets, being depreciated, net	134,702	(6,773)	-	127,929
The District's capital assets, net	\$ 144,049	(4,541)	1,161	138,347

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(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	\$ 5,008	-	-	5,008
Construction in progress	<u>677</u>	<u>-</u>	<u>677</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,685</u>	<u>-</u>	<u>677</u>	<u>5,008</u>
Capital assets, being depreciated:				
Land improvements	109	-	-	109
Buildings	50,526	2,140	-	52,666
Equipment	<u>119</u>	<u>-</u>	<u>-</u>	<u>119</u>
Total capital assets being depreciated	<u>50,754</u>	<u>2,140</u>	<u>-</u>	<u>52,894</u>
Less accumulated depreciation for:				
Land improvements	109	-	-	109
Buildings	24,127	1,323	-	25,450
Equipment	<u>78</u>	<u>1</u>	<u>-</u>	<u>79</u>
Total accumulated depreciation	<u>24,314</u>	<u>1,324</u>	<u>-</u>	<u>25,638</u>
Total capital assets being depreciated, net	<u>26,440</u>	<u>816</u>	<u>-</u>	<u>27,256</u>
WRA capital assets, net	<u>\$ 32,125</u>	<u>816</u>	<u>677</u>	<u>32,264</u>

Construction Commitments

The City has active construction projects as of June 30, 2025. 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, 2025</u>	<u>Remaining commitment</u>
Building improvements	\$ 37,078	18,500
Capital equipment	3,443	3,354
Infrastructure improvements	69,279	36,019
Land improvements	<u>13,779</u>	<u>7,876</u>
Total	<u>\$ 123,579</u>	<u>65,749</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(12) Net Investment in Capital Assets

Net investment in capital assets at June 30, 2025, is summarized as follows:

Governmental Activities

Capital assets	\$ 2,472,623
Less accumulated depreciation	(946,145)
Less outstanding long-term debt	(841,678)
Less unamortized premiums on outstanding long-term debt	(36,328)
Less deferred inflows related to refunding of long-term debt	(1,852)
Add outstanding debt that is not capital related	44,421
Add unspent proceeds of capital related debt	13,561
Less capital payables and retainage	<u>(10,341)</u>
Net investment in capital assets	<u><u>\$ 694,261</u></u>

Business-Type Activities

	Water	Sewer	Golf Course (Nonmajor)	Total Enterprise Funds/ Business-Type Activities
Capital assets	\$ 295,988	344,652	4,842	645,482
Less accumulated depreciation	(180,487)	(212,135)	(2,993)	(395,615)
Less outstanding long-term debt	(74,986)	(131,997)	(1,287)	(208,270)
Less unamortized premiums on outstanding long-term debt	(3,032)	(4,179)	(27)	(7,238)
Less deferred inflows related to refunding of long-term debt	(315)	(534)	(7)	(856)
Add unspent proceeds of capital related debt	7,831	5,598	-	13,429
Less capital payables and retainage	<u>(1,411)</u>	<u>(1,180)</u>	<u>(4)</u>	<u>(2,595)</u>
Net investment in capital assets	<u><u>\$ 43,588</u></u>	<u><u>225</u></u>	<u><u>524</u></u>	<u><u>44,337</u></u>

(13) Leasing Activities - Lessor

Primary Government

The City leases a baseball stadium under a 35-year lease 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, 2025 the City received lease payments from Team totaling \$2,796. As of June 30, 2025 the present value of future lease payments totaled \$61,458.

The City leases a parking garage in the ballpark stadium financial district to a tenant under a 20-year lease. For the year ended June 30, 2025 the City received lease payments from the tenant totaling \$221. As of June 30, 2025 the present value of future lease payments totaled \$2,596.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

Future minimum lease payments as of June 30, 2025 are as follows:

Year ending June 30:	Principal	Interest	Total
2026	\$ 1,124	1,964	3,088
2027	1,198	1,911	3,109
2028	1,298	1,873	3,171
2029	1,392	1,831	3,223
2030	1,465	1,780	3,245
Thereafter	57,577	20,948	78,525
	<u>\$ 64,054</u>	<u>30,307</u>	<u>94,361</u>

Discreetly Presented Unit – WRA

The WRA, acting as lessor, leases office space at Union Station under long-term noncancellable lease arrangements. The leases expire at various dates through 2033. During the year ended June 30, 2025, the WRA recognized approximately \$580 and approximately \$96 in lease revenue and interest income, respectively, pursuant to these contracts.

Principal and interest requirements to maturity under lease agreements are as follows:

Year ending June 30:	Principal	Interest	Total
2026	\$ 516	86	602
2027	463	67	530
2028	491	48	539
2029	521	28	549
2030	252	9	261
Thereafter	150	9	159
	<u>\$ 2,393</u>	<u>247</u>	<u>2,640</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(14) Long-Term Obligations

(a) Changes in Long Term Obligations - Primary Government

Governmental Activities

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

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:					
Inside debt limit	\$ 286,044	30,019	34,000	282,063	33,053
Outside debt limit	524,906	13,006	31,548	506,364	33,883
Notes from direct borrowings	6,165	-	1,513	4,652	1,393
Lease liabilities	49,082	2,664	3,147	48,599	3,106
Judgments and claims	11,219	3,815	2,879	12,155	2,982
Compensated absences	16,410	14,318	11,504	19,224	13,636
Landfill closure and post closure care costs	9,130	-	9,130	-	-
Net pension liability	378,524	-	39,010	339,514	-
Net OPEB liability	1,132,002	-	70,669	1,061,333	-
Deferred amounts on bond premiums	38,254	2,907	4,833	36,328	4,272
Total governmental activities					
long-term obligations	<u>\$ 2,451,736</u>	<u>66,729</u>	<u>208,233</u>	<u>2,310,232</u>	<u>92,325</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(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	\$ 18,727	2,756	1,853	19,630	1,459
Outside debt limit	180,238	16,939	11,563	185,614	12,098
Notes from direct borrowings	3,271	-	245	3,026	250
Judgments and claims	1,124	723	692	1,155	389
Compensated absences	715	732	596	851	697
Net pension liability	16,804	-	1,576	15,228	-
Net OPEB liability	26,526	-	2,002	24,524	-
Deferred amounts on bond premium	7,302	687	751	7,238	778
Total governmental activities					
long-term obligations	\$ 254,707	21,837	19,278	257,266	15,671

On March 17, 2025, the City issued general obligation bonds totaling \$62,720 for current projects. The proceeds consisted of \$43,025 for governmental activities and \$19,695 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, 2025, are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

Governmental Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2025
1998 General Obligation Bonds, Pension Funding Loan	\$ 220,979	6.25%	2028	\$ 44,270
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	505
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	494
2011 General Obligation School Bond	10,000	2.00%	2041	5,333
2015 General Obligation Bonds, Series A	26,895	3.00% to 5.00%	2041	10,516
2015 General Obligation Bonds, Series B	17,386	2.95% to 5.00%	2033	12,688
2015 General Obligation Refunding Bonds, Series C	9,439	2.00% to 5.00%	2027	635
2016 General Obligation Bonds, Series A	38,677	3.00% to 5.00%	2042	19,524
2016 General Obligation Refunding Bonds, Series B	8,892	3.00% to 5.00%	2028	1,994
2017 General Obligation Refunding Bonds (Aug. 2017)	13,038	2.125% to 5.00%	2037	8,207
2017 General Obligation Refunding Bonds (Nov. 2017)	10,195	2.25% to 5.00%	2036	8,269
2018 General Obligation Bonds, Series A	55,824	3.125% to 5.00%	2043	29,732
2018 General Obligation Bonds, Series B	28,545	3.25% to 4.00%	2043	22,965
2018 General Obligation Ballpark Project Bonds	31,355	3.525% to 4.750%	2049	31,085
2019 General Obligation Bonds	39,363	3.00% to 5.00%	2044	24,033
2020 General Obligation Bonds, Series A	45,478	2.125% to 4.00%	2045	29,032
2020 General Obligation Bonds, Series B	17,695	2.125% to 5.00%	2045	16,765
2020 General Obligation Refunding Bonds (Sep. 2020)	28,415	2.00% to 5.00%	2038	13,681
2020 General Obligation Ballpark Project Bonds (Sep. 2020)	3,302	2.00% to 5.00%	2035	2,544
2021 General Obligation Ballpark Project Bonds Series A (Mar 2021)	13,800	0.782% to 3.249%	2051	13,455
2021 General Obligation Bonds	91,377	2.00% to 5.00%	2050	73,138
2021 General Obligation Refunding Bonds Series B (Mar 2021)	59,507	0.275% to 3.049%	2040	43,815
2022 General Obligation Bonds	177,245	2.125% to 5.00%	2050	152,316
2023 General Obligation Bonds	69,285	4.00% to 5.00%	2048	60,885
2024 General Obligation Bonds	126,740	4.00% to 5.00%	2049	119,521
2025 General Obligation Bonds	43,025	4.00% to 5.00%	2050	43,025
Total governmental activities general obligation bonds				\$ 788,427

Business-Type Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2025
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	\$ 10
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	6
2015 General Obligation Bonds, Series A	14,598	3.00% to 5.00%	2041	8,516
2015 General Obligation Refunding Bonds, Series C	11,216	2.00% to 5.00%	2027	2,290
2016 General Obligation Bonds, Series A	17,097	3.00% to 5.00%	2042	12,036
2016 General Obligation Refunding Bonds, Series B	6,198	3.00% to 5.00%	2028	2,296
2017 General Obligation Refunding Bonds (Aug. 2017)	6,362	2.125% to 5.00%	2037	2,898
2017 General Obligation Refunding Bonds (Nov. 2017)	11,440	2.25% to 5.00%	2036	10,576
2018 General Obligation Bonds, Series A	12,886	3.125% to 5.00%	2043	8,097
2019 General Obligation Bonds	21,542	3.0% to 5.0%	2044	15,957
2020 General Obligation Bonds, Series A	22,867	2.125% to 4.0%	2045	17,403
2020 General Obligation Refunding Bonds (Sep. 2020)	17,258	2.0% to 5.0%	2038	11,765
2021 General Obligation Bonds	24,549	2.0% to 5.0%	2050	20,062
2021 General Obligation Refunding Bonds Series B (Mar 2021)	28,763	0.275% to 3.049%	2040	23,440
2022 General Obligation Bonds	177,245	2.125% to 5.0%	2050	14,329
2023 General Obligation Bonds	15,249	4.00% to 5.00%	2048	14,495
2024 General Obligation Bonds	22,210	4.00% to 5.00%	2049	21,373
2025 General Obligation Bonds	19,695	4.00% to 5.00%	2050	19,695
Total business-type activities general obligation bonds				\$ 205,244

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

Notes from Direct Borrowings

The City has direct borrowings outstanding as of June 30, 2025, totaling \$4,652. Equipment, net purchased with long-term financing contracts that transfers ownership of the underlying assets to the lessee at the end of the contract totaled \$4,253. 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 \$3,026.

Governmental Activities – Financed Purchases of Equipment

<u>Purpose/Type</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2025</u>
Public Safety / equipment	\$ 7,671	3.81%	2030	\$ 3,675
Public Safety / equipment	3,790	3.00%	2026	599
Educational / school buses	761	3.88%	2027	266
Educational / school buses	748	3.88%	2026	113
	<u>\$ 12,970</u>			<u>\$ 4,653</u>

Capital assets acquired

Furniture and equipment	\$ 11,461
Rolling equipment	<u>1,509</u>
Total assets	12,970
Less: accumulated depreciation	<u>(8,717)</u>
Total	<u>\$ 4,253</u>

Business-Type Activities – Loans payable MCWT

	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2025</u>
2014 clean water loan to sewer fund	\$ 851	2.00%	2033	\$ 401
2015 clean water loan to sewer fund	562	2.00%	2035	311
2016 clean water loan to sewer fund	1,048	2.00%	2036	632
2017 clean water loan to sewer fund	2,671	2.00%	2037	<u>1,682</u>
				<u>\$ 3,026</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

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Right to use lease liabilities

The City has entered leasing arrangements for the right to use real property and equipment for its educational, public safety and general government activities. The following are the existing long-term leasing arrangements as of June 30, 2025, and the underlying amount of lease assets.

Type / activity	Fiscal year of lease term	Interest Rate	Lease Liability June 30, 2025
Facility for job training	2026	3.0%	\$ 5,924
Facility for job training	2032	3.7%	822
School bus depot	2041	3.0%	38,193
Parking lot for schools	2026	3.0%	52
Facility for schools	2026	3.0%	190
Equipment for schools	2026	5.0%	280
Equipment for schools	2026	7.1%	1,016
Equipment for schools	2029	4.0%	2,122
Total Lease Liability			\$ <u>48,599</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(c) Maturity of Bond Indebtedness-Primary Government

Bond indebtedness outstanding at June 30, 2025 matures as follows:

	Governmental activities		Business-type activities			
	Governmental Funds		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2026	\$ 66,936	30,096	5,670	2,620	7,710	4,242
2027	63,855	27,144	5,059	2,443	7,269	3,992
2028	62,320	24,180	4,767	2,242	6,709	3,737
2029	43,450	21,254	4,227	2,057	6,593	3,491
2030	39,229	19,374	3,963	1,888	6,120	3,241
2031-2035	178,735	74,771	17,570	7,455	31,178	13,147
2036-2040	143,130	44,633	15,765	4,622	32,394	8,031
2041-2045	111,002	23,389	11,775	2,336	22,558	3,548
2046-2050	78,764	6,782	6,190	642	8,441	698
2051	1,005	16	-	-	-	-
	<u>\$ 788,427</u>	<u>271,639</u>	<u>74,986</u>	<u>26,305</u>	<u>128,972</u>	<u>44,127</u>

	Business-type activities		Business-type	
	Golf course (nonmajor)		activities totals	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2026	\$ 177	46	13,557	6,909
2027	171	39	12,498	6,474
2028	157	32	11,634	6,011
2029	143	27	10,963	5,575
2030	136	21	10,219	5,150
2031-2035	407	40	49,155	20,643
2036-2040	77	9	48,236	12,662
2041-2045	18	1	34,351	5,885
2046-2050	-	-	14,631	1,341
2051	-	-	-	-
	<u>\$ 1,286</u>	<u>217</u>	<u>205,245</u>	<u>70,651</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the direct borrowings for financed equipment purchases and MCWT loans as of June 30, 2025, are as follows:

		Governmental activities	
		Principal	Interest
Year ending June 30:			
2026	\$	1,397	165
2027		717	120
2028		600	97
2029		623	101
2030		646	49
2031-2035		670	25
	\$	<u>4,653</u>	<u>557</u>

		Business-type activities	
		Sewer	
		Principal	Interest
Year ending June 30:			
2026	\$	250	61
2027		256	56
2028		261	51
2029		267	46
2030		273	40
2031-2035		1,345	117
2036-2037		375	11
	\$	<u>3,026</u>	<u>372</u>

The future maturities of lease liabilities are as follows:

		Governmental activities	
		Governmental Funds	
		Principal	Interest
Year ending June 30:			
2026	\$	3,106	1,518
2027		2,810	1,398
2028		2,746	1,295
2029		2,559	1,182
2030		2,143	1,106
2031-2035		12,835	4,449
2036-2040		17,261	2,248
2041-2045		5,139	154
	\$	<u>48,599</u>	<u>13,350</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(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, 2025, is as follows:

Inside debt limit:	
Building rehabilitation	\$ 111,182
Parks improvements	53,067
Off-street parking	37,267
Street and sidewalk construction	38,326
Departmental equipment	26,909
Other	17,262
Total inside debt limit	<u>284,013</u>
Outside debt limit:	
School construction	78,536
Sewer	101,983
Water	89,669
DCU Center improvements	8,632
CitySquare	21,076
Other	1,129
Total outside debt limit	<u>301,025</u>
Total inside and outside debt limit	<u>\$ 585,038</u>

At June 30, 2025, in addition to debt authorized but unissued, the City may issue \$614,959 of additional inside debt under the normal debt (5%) limit. The City had \$691,978 outstanding debt exempt from or outside the debt limit.

(g) Outstanding Defeased Debt

Proceeds of the advanced refunding bonds issued in prior years will be used to defease certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2025, \$16,710 of bonds outstanding is considered defeased.

(h) Discretely Presented Component Units (The District)

The District issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities. Additionally, the District incurs various other long-term

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

obligations relative to associated personnel costs. The following reflects the activity in the District's long-term liability accounts:

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:	\$ 11,565	4,000	1,280	14,285	1,465
Direct borrowings and placements	108,700	-	7,149	101,551	7,340
Unamortized bond premiums	473	372	108	737	115
Total long-term debt	120,738	4,372	8,537	116,573	8,920
Compensated absences	718	75	-	793	569
Net OPEB liability	431	2,385	1,567	1,249	-
Net pension liability	10,270	3,855	3,363	10,762	-
	<u>\$ 132,157</u>	<u>10,687</u>	<u>13,467</u>	<u>129,377</u>	<u>9,489</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. General obligation bonds and notes payable of the District consisted of the following at June 30, 2025:

Purpose/Type	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2025
2012 General Obligation Bonds	2.00% - 4.00%	2040	\$ 1,670
2016 General Obligation Bonds	2.00% - 3.00%	2032	3,060
2019 General Obligation Bonds	2.00% - 3.00%	2036	3,980
2024 General Obligation Bonds	4.00% - 5.00%	2044	3,950
2016 General Obligation Bonds	2.00% - 3.00%	2028	1,625
MCWT CW-03-14 - December 2006	2.00%	2035	21,232
MCWT CW-03-14A - December 2006	2.35%	2035	2,703
MCWT CW-06-17 - March 2007	2.00%	2037	12,701
MCWT CW-06-17-A - December 2007	2.41%	2038	6,284
MCWT CW-06-17-B - March 2009	2.42%	2039	12,864
MCWT CW-06-17-C - June 2012	2.40%	2041	13,561
MCWT CWS-09-18 - July 2010	2.40%	2041	4,520
MCWT CWS-09-18-A - May 2014	2.00%	2033	8,994
MCWT CWP-16-39 - September 2018	2.00%	2038	6,169
MCWT CWP-16-39-A - October 2019	2.00%	2039	11,151
MCWT CWP-16-39-B - October 2019	2.00%	2039	1,372
Total District general obligation bonds and direct borrowings			<u>\$ 115,836</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

	General obligation bonds		Direct borrowings and placements	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2026	\$ 1,465	477	7,340	2,588
2027	1,490	435	7,535	2,372
2028	1,525	391	7,732	2,262
2029	980	340	7,932	1,928
2030	995	290	8,144	1,693
2031 - 2035	4,360	969	41,586	4,916
2036 - 2040	2,670	375	19,938	1,126
2041 - 2045	800	80	1,344	16
	<u>\$ 14,285</u>	<u>3,357</u>	<u>101,551</u>	<u>16,901</u>

Authorized But Unissued Debt – At June 30, 2025, \$26,000 in long-term debt has been authorized but unissued. Of this total, \$18,000 pertained to a stand-by power project; the remaining \$8,000 pertains to general capital upgrades.

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

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

Details related to notes payable to the City at June 30, 2025, are as follows:

Project	Outstanding at June 30, 2024	Additions	Reductions	Outstanding at June 30, 2025
Union Station - Building Fit Out	\$ 7,090	1,345	-	8,435
Union Station - Operating	10,205	827	-	11,032
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	5,516	156	-	5,672
Total	\$ 23,374	2,328	-	25,702

Debt service requirements in future fiscal years are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,564	7,017	26,581
2027	827	78	905
2037	<u>5,311</u>	<u>2,693</u>	<u>8,004</u>
Total	<u>\$ 25,702</u>	<u>9,788</u>	<u>35,490</u>

(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, 2025 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$784.

At June 30, 2025, there were no BANS outstanding. The following is a summary of changes in temporary loans:

	<u>Outstanding as of June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding as of June 30, 2025</u>
Bond anticipation notes payable:				
General	\$ -	26,908	26,908	-
Water	-	9,064	9,064	-
Sewer	-	<u>4,603</u>	<u>4,603</u>	-
Total	<u>\$ -</u>	<u>40,575</u>	<u>40,575</u>	<u>-</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. Bond anticipation notes (BANS) were borrowed

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

with interest rates of 5.0% and 4.0% and maturing on October 17, 2024 and June 12, 2026 and the District drew down \$652 of a MCWT line with 0.0% interest rate and maturing on July 31, 2024 at which time it will be converted to a twenty-year 2% note payable. The following is a summary of changes in temporary loans:

	Outstanding as of June 30, 2024	Additions	Reductions	Outstanding as of June 30, 2025
Bond Anticipation Note	\$ 4,000	4,000	4,000	\$ 4,000
MCWT	-	652	-	652
	<u>\$ 4,000</u>	<u>4,652</u>	<u>4,000</u>	<u>\$ 4,652</u>

(16) Interfund Receivables, Payables and Transfers

At June 30, 2025, there was a receivable and payable between the general fund and major and nonmajor governmental funds in the amounts of \$35,076. Transfers and their purposes during the year ended June 30, 2025 were as follows:

	Governmental Funds				Proprietary Funds		
	General Fund	Debt Service Fund	City Grants	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget							
General fund to fund debt payments	\$ (19,932)	19,932	-	-	-	-	-
Sewer connection fees to fund DPW engineering	119	-	-	-	-	(119)	-
Trust fund to general fund for cemetery debt svc.	60	-	-	(60)	-	-	-
Golf fund to fund pension obligation bonds	18	-	-	-	-	-	(18)
Sewer fund to fund pension obligation bonds	493	-	-	-	-	(493)	-
Water fund to fund pension obligation bonds	646	-	-	-	(646)	-	-
Sub-total	<u>(18,596)</u>	<u>19,932</u>	<u>-</u>	<u>(60)</u>	<u>(646)</u>	<u>(612)</u>	<u>(18)</u>
Subsequent transfers:							
General fund to fund debt payments	(2,688)	2,688	-	-	-	-	-
Insurance settlement fund for city vehicles	97	-	-	(97)	-	-	-
Premium on loans to fund debt issuance costs	398	-	-	(398)	-	-	-
PEG access to general fund for INET	477	-	-	(477)	-	-	-
CSX gate fees to capital project funds	-	-	(500)	500	-	-	-
General fund to Opioid Fund	(163)	-	-	163	-	-	-
General fund to special revenue funds	(50)	-	-	50	-	-	-
General fund to capital project	(1,402)	-	-	1,402	-	-	-
General fund to parking fees	(10)	-	-	10	-	-	-
Closed FEMA grant to general fund	43	-	(43)	-	-	-	-
Transfer sewer connection fees to sewer fund	-	-	-	(15,509)	-	15,509	-
Transfers among special revenue parking fees	-	-	-	1,250	-	-	-
Transfers among special revenue parking fees	-	-	-	(1,250)	-	-	-
Transfers among special revenue funds	-	-	-	227	-	-	-
Transfers among special revenue funds	-	-	-	(227)	-	-	-
Transfers among capital projects	-	-	-	13,884	(980)	-	-
Transfers among capital projects	-	-	-	(12,904)	-	-	-
Transfers among permanent funds	-	-	-	545	-	-	-
Transfers among permanent funds	-	-	-	(545)	-	-	-
OPEB employer contributions	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158</u>	<u>67</u>	<u>3</u>
Total transfers, net	<u>\$ (22,122)</u>	<u>22,620</u>	<u>(543)</u>	<u>(13,436)</u>	<u>(1,468)</u>	<u>14,964</u>	<u>(15)</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(17) Environmental Remediation (The District)

The District is currently complying with the terms of a May 1, 2014 Administrative Order on Consent (the “AOC”) with the United States Environmental Protection Agency (“EPA”). In August 2016, a proposed modification to the AOC schedule was accepted by the EPA, and that schedule has been extended several times since (most recently in June 2025). The AOC is primarily focused on improvements to reduce effluent nitrogen and phosphorous levels and includes a schedule for construction projects. To date, the District has complied with all the deadlines included in this order. The current AOC schedule agreement includes the opportunity to adjust the AOC schedule as part of the overall City of Worcester Integrated Water Resources Management Plan (the “IP”). The IP was completed and submitted to the EPA by the City of Worcester in October 2019. The IP includes a prioritized schedule for environmental projects funded by City of Worcester ratepayers. The IP schedule postpones the phosphorus upgrade (estimated in 2019 to approximate \$114,000) and the nitrogen upgrade (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 construction deadlines have been extended several times, and the parties are proceeding with the projects assuming a 2034 start to the phosphorus construction.

(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 Harvard Pilgrim Health Plans (HPHC), HPHC Medicare Enhance, Fallon Medicare, Tufts Medicare preferred plans and a high deductible plan. The partially self-insured BCBS, HPHC, Tufts and Fallon Medicare 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 \$350 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(in thousands of dollars)

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

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

Changes in the self-insurance liability for health claims (which are reported as accrued liabilities in the internal service fund) for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Health claims, beginning of year	\$ 6,394	11,962
Incurred claims	137,675	113,513
Payments of claims attributable to events of the current and prior fiscal years	<u>(137,077)</u>	<u>(119,081)</u>
Health claims, end of year	<u>\$ 6,992</u>	<u>6,394</u>

Changes in judgments and claims liability for the years ended June 30, 2025, and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Judgments and claims, beginning of year	\$ 12,343	12,440
Additions to estimated claims liability	4,538	3,821
Payments of claims attributable to events of the current and prior fiscal years, and reductions to previous estimated liabilities:		
Court judgments and legal settlements	(394)	(885)
Workers' compensation	<u>(3,177)</u>	<u>(3,033)</u>
Judgments and claims, end of year	<u>\$ 13,310</u>	<u>12,343</u>

Judgments and claims consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Workers' compensation	\$ 12,410	11,084
Court judgments and legal settlements	<u>900</u>	<u>1,259</u>
	<u>\$ 13,310</u>	<u>12,343</u>

The fiscal 2025 liability for judgments and claims consists of governmental and business-type activities in the amount of \$12,155 and \$1,155, 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, 2025 and 2024, respectively.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

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

(19) Fund Balances

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

	General Fund	Debt Service Fund	City Grants	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal.....	\$ -	-	-	20,644	20,644
Restricted:					
City grants.....	-	-	6,394	-	6,394
School grants.....	-	-	-	803	803
DCU Center operations.....	-	-	-	1,062	1,062
School lunch.....	-	-	-	6,896	6,896
Parking fees.....	-	-	-	5,589	5,589
City revolving funds.....	-	-	-	23,939	23,939
School revolving funds.....	-	-	-	14,163	14,163
Community preservation funds.....	-	-	-	8,232	8,232
Community development block grants.	-	-	-	15	15
MassHire Central Region Workforce..	-	-	-	1,907	1,907
Capital.....	-	-	-	17,835	17,835
Permanent fund expendable.....	-	-	-	10,771	10,771
Sub-total - Restricted.....	-	-	6,394	91,212	97,606
Committed:					
Debt service.....	-	53,435	-	-	53,435
Receipts reserved.....	-	-	-	11,843	11,843
Sub-total - Committed.....	-	53,435	-	11,843	65,278
Unassigned.....	90,383	-	-	(13,194)	77,189
Total fund balances.....	\$ <u>90,383</u>	<u>53,435</u>	<u>6,394</u>	<u>110,505</u>	<u>260,717</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

(20) Fund Deficits

The following funds had deficits at June 30, 2025. These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

Nonmajor Funds

Special Revenue Funds:

Police details \$ 2,486

Capital Project Funds:

School construction 10,708

(21) Fiduciary Fund Financial Statements

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

	Pension Trust Funds (As of 12/31/24)	OPEB Trust Fund	Total
Assets:			
Cash and cash equivalents	\$ 3,768	46	3,814
Investments, at fair value:			
Fixed income	129,475	-	129,475
Pooled equities	366,145	-	366,145
Pooled fixed income	50,103	-	50,103
External investment pool	500,616	61,327	561,943
Real estate	53,758	-	53,758
Alternative investments	323,241	-	323,241
Total investments	<u>1,423,338</u>	<u>61,327</u>	<u>1,484,665</u>
Receivables:			
Accrued interest and dividends	458	-	458
Due from Commonwealth of Massachusetts and other systems	2,492	-	2,492
Other receivables	257	-	257
Total receivables	<u>3,207</u>	<u>-</u>	<u>3,207</u>
Total assets	<u>1,430,313</u>	<u>61,373</u>	<u>1,491,686</u>
Liabilities:			
Accounts payable and accrued expenses	95	38	133
Due to Commonwealth of Massachusetts and other systems	2,907	-	2,907
Total liabilities	<u>3,002</u>	<u>38</u>	<u>3,040</u>
Net position:			
Net position restricted for pensions and OPEB	<u>\$ 1,427,311</u>	<u>61,335</u>	<u>1,488,646</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

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

	Pension Trust Funds (As of 12/31/24)	OPEB Trust Fund	Total
Additions:			
Contributions from:			
Employers	\$ 69,933	48,644	118,577
Plan members	26,399	377	26,776
Total contributions	96,332	49,021	145,353
Investment earnings:			
Interest and dividends	25,736	4,951	30,687
Net realized and unrealized gains	96,023	-	96,023
Less: management fees	(7,669)	-	(7,669)
Net investment income	114,090	4,951	119,041
Other	4,401	-	4,401
Total additions	214,823	53,972	268,795
Deductions:			
Benefit payments to plan members and beneficiaries	102,504	40,021	142,525
Reimbursements to other systems	3,148	-	3,148
Refunds and transfers of plan member accounts to other systems	6,291	-	6,291
Administrative expenses	737	5	742
Total deductions	112,680	40,026	152,706
Net increase (decrease) in net position	102,143	13,946	116,089
Net position restricted for pensions and OPEB – beginning	1,325,168	47,389	1,372,557
Net position restricted for pensions and OPEB– ending	\$ 1,427,311	61,335	1,488,646

(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.

The City negotiates property tax abatement agreements on an individual basis. As of June 30, 2025, the City had thirty tax abatement agreements, including twenty-one active agreements and ten agreements whose abatements will begin after fiscal year 2025 upon completion of the projects. One TIF agreement for 1 Mercantile was terminated mid-year fiscal 2025 for noncompliance with job retention requirements. The

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2025

(in thousands of dollars)

City's policy is to disclose individual tax abatement agreements in which the amount abated in fiscal year 2025 exceeded 10% of the total abatements made by the City in fiscal year 2025. In fiscal year 2025, Worcester abated property taxes totaling \$3,557. Detailed below are the tax abatement agreements that each exceed 10% of the total amount abated:

- 150 Blackstone River Rd – a 42% 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 \$809, which accounts for 23% of total abatements in fiscal 2025. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EOA.
- 28 Mount Carmel Way – a 57% property tax abatement given to a company for the construction of 370 market rate apartments. The abatement totals \$583, which accounts for 16% of total abatements in fiscal 2025. The agreement is governed by the HDIP.
- 1 Mercantile St – a 48% 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 \$368, which accounts for 10% of total abatements in fiscal year 2025. 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). In fiscal 2025, the property's tax abatement agreement ended after decertification for noncompliance with job quotas.

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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, 2025
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 396,160,848	393,923,671	394,786,871	863,200
Motor vehicle excise taxes	16,500,000	17,245,726	19,014,578	1,768,852
Penalties and interest on taxes:				
Property taxes	1,165,000	1,165,000	1,418,268	253,268
Tax titles	186,000	186,000	224,550	38,550
Motor vehicle excise	1,181,500	1,181,500	1,378,742	197,242
Special assessments	150,000	150,000	198,193	48,193
	2,682,500	2,682,500	3,219,753	537,253
Other taxes and in-lieu payments:				
In lieu of taxes	-	-	6,840	6,840
Special assessments	300,000	300,000	230,948	(69,052)
Cannabis excise	1,700,000	1,700,000	1,890,732	190,732
Meals tax	4,100,000	4,100,000	4,348,954	248,954
Hotel/motel tax	1,100,000	1,100,000	977,942	(122,058)
	7,200,000	7,200,000	7,455,416	255,416
Licenses and permits:				
Clerk	285,000	285,000	326,715	41,715
Inspectional services	6,002,200	6,788,026	8,218,156	1,430,130
Fire	224,600	224,600	212,047	(12,553)
Health	569,200	569,200	105,236	(463,964)
License Commission:				
Liquor & common victualer	836,500	836,500	867,094	30,594
Other	82,000	82,000	96,124	14,124
Police	78,050	78,050	89,612	11,562
Public Works	273,000	273,000	324,328	51,328
	8,350,550	9,136,376	10,239,312	1,102,936
Intergovernmental:				
State local aid	439,997,622	440,475,970	440,197,918	(278,052)
State school busing assistance	-	-	57,253	57,253
School based Federal Medicaid	1,500,000	1,500,000	2,732,649	1,232,649
Federal indirect cost reimbursements	2,100,000	2,100,000	611,793	(1,488,207)
	443,597,622	444,075,970	443,599,613	(476,357)

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Fines and forfeitures:				
Parking fines	\$ 2,388,000	2,388,000	2,698,047	310,047
Court fines	445,000	445,000	532,479	87,479
	<u>2,833,000</u>	<u>2,833,000</u>	<u>3,230,526</u>	<u>397,526</u>
Investment earnings	<u>5,000,000</u>	<u>6,745,724</u>	<u>9,619,720</u>	<u>2,873,996</u>
Charges for services:				
Airport land lease	110,000	110,000	118,333	8,333
Assessor	50,000	10,000	46,235	36,235
Budget	5,000	-	-	-
Clerk	585,500	585,500	576,256	(9,244)
Communications	-	-	4,480	4,480
Elder Affairs	85,000	85,000	83,146	(1,854)
Fire	221,000	221,000	271,439	50,439
Health	1,000	1,000	14,186	13,186
Hope Cemetery	460,000	460,000	476,620	16,620
Library	1,000	1,000	209	(791)
Parks	75,000	75,000	108,475	33,475
Planning	167,400	167,300	173,413	6,113
Police	836,500	859,000	1,133,500	274,500
Public Works	5,100	5,000	7,953	2,953
Records Request	500	500	415	(85)
Schools	12,000	12,000	7,620	(4,380)
Solar Renewable Energy Certificates	2,000,000	2,000,000	1,578,686	(421,314)
Towing contracted revenue	271,000	271,000	174,640	(96,360)
Trailer coach park	4,000	4,000	3,774	(226)
Trash bags	4,250,000	4,250,000	3,581,981	(668,019)
Treasurer	24,900	7,500	22,649	15,149
	<u>9,164,900</u>	<u>9,124,800</u>	<u>8,384,010</u>	<u>(740,790)</u>
Miscellaneous	<u>1,335,000</u>	<u>335,000</u>	<u>2,959,614</u>	<u>2,624,614</u>
Total revenues	<u>892,824,420</u>	<u>893,302,767</u>	<u>902,509,413</u>	<u>9,206,646</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Council:				
Salaries	\$ 601,278	601,278	586,894	14,384
Ordinary maintenance	40,731	40,731	36,579	4,152
Capital outlay	-	-	-	-
	<u>642,009</u>	<u>642,009</u>	<u>623,473</u>	<u>18,536</u>
Mayor's staff:				
Salaries	172,034	172,034	171,377	657
Ordinary maintenance	14,700	14,700	11,006	3,694
	<u>186,734</u>	<u>186,734</u>	<u>182,383</u>	<u>4,351</u>
City Manager:				
Salaries and overtime	1,666,655	1,606,655	1,579,831	26,824
Ordinary maintenance	129,552	129,552	66,332	63,220
	<u>1,796,207</u>	<u>1,736,207</u>	<u>1,646,163</u>	<u>90,044</u>
Economic Development:				
Salaries	2,244,919	2,189,919	2,048,170	141,749
Ordinary maintenance	1,047,509	970,050	890,205	79,845
Capital outlay	-	72,459	72,435	24
	<u>3,292,428</u>	<u>3,232,428</u>	<u>3,010,810</u>	<u>221,618</u>
Massshire Central Regional Workforce Board				
Salaries	109,000	101,571	101,563	8
Ordinary maintenance	91,000	98,429	98,426	3
	<u>200,000</u>	<u>200,000</u>	<u>199,989</u>	<u>11</u>
Auditor:				
Salaries and overtime	738,656	645,531	644,172	1,359
Ordinary maintenance	95,707	205,707	103,050	102,657
	<u>834,363</u>	<u>851,238</u>	<u>747,222</u>	<u>104,016</u>
Administration & Finance:				
Salaries	749,807	669,807	651,126	18,681
Ordinary maintenance	126,251	126,251	119,212	7,039
	<u>876,058</u>	<u>796,058</u>	<u>770,338</u>	<u>25,720</u>
Assessor:				
Salaries	744,896	674,896	661,093	13,803
Ordinary maintenance	449,240	400,240	351,823	48,417
Capital outlay	-	50,000	-	50,000
	<u>1,194,136</u>	<u>1,125,136</u>	<u>1,012,916</u>	<u>112,220</u>
Purchasing:				
Salaries	398,562	303,562	301,784	1,778
Ordinary maintenance	21,088	21,088	14,199	6,889
	<u>419,650</u>	<u>324,650</u>	<u>315,983</u>	<u>8,667</u>
Treasurer and Collector:				
Salaries and overtime	1,471,535	1,406,160	1,387,935	18,225
Ordinary maintenance	941,657	1,319,893	1,249,459	70,434
	<u>2,413,192</u>	<u>2,726,053</u>	<u>2,637,394</u>	<u>88,659</u>

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Law:				
Salaries	\$ 1,496,662	1,362,785	1,317,141	45,644
Ordinary maintenance	190,298	662,898	617,051	45,847
Casualty insurance	365,160	365,160	342,386	22,774
Court judgments	2,000,000	3,111,458	3,037,242	74,216
	<u>4,052,120</u>	<u>5,502,301</u>	<u>5,313,820</u>	<u>188,481</u>
City Clerk:				
Salaries and overtime	983,747	1,021,847	1,019,368	2,479
Ordinary maintenance	67,518	144,244	139,681	4,563
	<u>1,051,265</u>	<u>1,166,091</u>	<u>1,159,049</u>	<u>7,042</u>
Election Commission:				
Salaries and overtime	868,908	748,908	740,235	8,673
Ordinary maintenance	173,129	234,850	232,363	2,487
Capital outlay	-	18,279	18,279	-
	<u>1,042,037</u>	<u>1,002,037</u>	<u>990,877</u>	<u>11,160</u>
Human Resources:				
Salaries and overtime	1,890,282	1,900,282	1,894,104	6,178
Ordinary maintenance	690,448	930,448	825,978	104,470
	<u>2,580,730</u>	<u>2,830,730</u>	<u>2,720,082</u>	<u>110,648</u>
Diversity & Inclusion:				
Salaries	598,034	557,034	556,231	803
Ordinary maintenance	252,445	102,445	76,763	25,682
	<u>850,479</u>	<u>659,479</u>	<u>632,994</u>	<u>26,485</u>
Public Facilities				
Salaries and overtime	1,609,949	1,399,949	1,384,450	15,499
Ordinary maintenance	1,766,120	2,277,120	1,959,827	317,293
Capital outlay	100,000	83,000	75,641	7,359
	<u>3,476,069</u>	<u>3,760,069</u>	<u>3,419,918</u>	<u>340,151</u>
Sustainability & Resilience				
Salaries and overtime	315,316	359,316	351,754	7,562
Ordinary maintenance	272,629	288,040	259,057	28,983
Capital outlay		374,589	373,046	1,543
	<u>587,945</u>	<u>1,021,945</u>	<u>983,857</u>	<u>38,088</u>
Innovation and Technology:				
Salaries and overtime	3,303,136	3,048,136	3,047,481	655
Ordinary maintenance	6,697,432	7,582,898	7,345,790	237,108
Capital outlay	-	-	-	-
	<u>10,000,568</u>	<u>10,631,034</u>	<u>10,393,271</u>	<u>237,763</u>
Total general government	<u>35,495,990</u>	<u>38,394,199</u>	<u>36,760,539</u>	<u>1,633,660</u>

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
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	\$ 56,315,061	59,124,781	59,035,731	89,050
Ordinary maintenance	4,122,623	4,282,978	4,277,750	5,228
Capital outlay	40,000	15,302	15,302	-
	<u>60,477,684</u>	<u>63,423,061</u>	<u>63,328,783</u>	<u>94,278</u>
Fire:				
Salaries and overtime	42,026,409	46,723,409	46,709,771	13,638
Ordinary maintenance	1,922,072	1,833,177	1,771,553	61,624
Capital outlay	143,000	250,520	249,597	923
	<u>44,091,481</u>	<u>48,807,106</u>	<u>48,730,921</u>	<u>76,185</u>
Inspectional services:				
Salaries and overtime	4,773,410	4,818,410	4,791,814	26,596
Ordinary maintenance	207,623	272,042	268,320	3,722
Capital outlay	-	9,130	9,000	130
	<u>4,981,033</u>	<u>5,099,582</u>	<u>5,069,134</u>	<u>30,448</u>
Communications:				
Salaries and overtime	2,251,644	3,172,246	2,764,252	407,994
Ordinary maintenance	1,137,647	1,140,449	1,127,556	12,893
Capital outlay	-	6,650	6,650	-
	<u>3,389,291</u>	<u>4,319,345</u>	<u>3,898,458</u>	<u>420,887</u>
Total public safety	<u>112,939,489</u>	<u>121,649,094</u>	<u>121,027,296</u>	<u>621,798</u>
Health and human services:				
Public Health				
Salaries and overtime	923,217	907,217	831,009	76,208
Ordinary maintenance	46,417	26,456	26,050	406
	<u>969,634</u>	<u>933,673</u>	<u>857,059</u>	<u>76,614</u>
Health and Human Services				
Salaries	1,256,653	945,886	900,475	45,411
Ordinary maintenance	1,798,088	1,339,023	1,237,406	101,617
	<u>3,054,741</u>	<u>2,284,909</u>	<u>2,137,881</u>	<u>147,028</u>
Elder Affairs:				
Salaries	590,725	590,725	589,975	750
Ordinary maintenance	496,190	502,190	498,007	4,183
	<u>1,086,915</u>	<u>1,092,915</u>	<u>1,087,982</u>	<u>4,933</u>
Total health and human services	<u>5,111,290</u>	<u>4,311,497</u>	<u>4,082,922</u>	<u>228,575</u>

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public Schools, excluding fringe benefits				
Salaries and overtime	\$ 328,422,818	326,306,800	326,300,926	5,874
Ordinary maintenance	68,018,821	73,104,586	73,104,586	-
Capital outlay	515,771	839,852	839,852	-
Total education (excluding fringes)	396,957,410	400,251,238	400,245,364	5,874
Public works:				
Department of Public Works:				
Salaries and overtime	7,220,400	7,251,498	7,249,953	1,545
Ordinary maintenance	8,247,175	9,734,895	9,482,599	252,296
Capital outlay	-	2,801,875	2,727,227	74,648
Snow and ice removal	5,500,000	5,286,100	5,280,112	5,988
Street lighting	1,495,490	1,995,490	1,967,608	27,882
	22,463,065	27,069,858	26,707,499	362,359
Union Station (WRA):				
Ordinary maintenance	678,305	826,905	826,905	-
Transportation and Mobility				
Salaries and overtime	1,753,785	1,462,785	1,459,184	3,601
Ordinary maintenance	1,591,800	1,614,729	1,526,567	88,162
Capital outlay	225,000	167,071	118,696	48,375
	3,570,585	3,244,585	3,104,447	140,138
Total public works and transportation	26,711,955	31,141,348	30,638,851	502,497
Culture and recreation:				
Parks and Cemetery:				
Salaries and overtime	5,040,885	5,693,108	5,690,713	2,395
Ordinary maintenance	3,150,956	3,253,566	3,147,620	105,946
Capital outlay	-	105,388	105,388	-
	8,191,841	9,052,062	8,943,721	108,341
Public Library:				
Salaries and overtime	4,991,505	5,259,044	5,225,368	33,676
Ordinary maintenance	1,808,083	1,818,203	1,817,555	648
	6,799,588	7,077,247	7,042,923	34,324
Auditorium:				
Ordinary maintenance	90,200	145,200	138,447	6,753
Total culture and recreation	15,081,629	16,274,509	16,125,091	149,418

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
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	\$ 65,281	65,281	65,280	1
Regional Transit Authority	4,192,482	4,192,482	4,192,482	-
Mosquito control	198,551	193,889	193,889	-
Air pollution control	55,057	54,958	54,958	-
Charter schools	43,130,207	43,479,298	43,042,498	436,800
School choice	3,813,931	3,899,644	3,795,521	104,123
Special education - Chapter 766	305,970	310,790	270,991	39,799
Registry parking ticket surcharge	743,820	486,120	486,120	-
Total intergovernmental	52,505,299	52,682,462	52,101,739	580,723
Debt service:				
Principal	33,830,809	33,451,060	33,451,060	-
Interest	13,383,417	12,304,321	12,304,320	1
Pension obligation bond:				
Municipal departments (P&I)	10,140,583	10,140,583	10,140,583	-
Enterprise funds (P&I)	1,156,162	1,156,162	1,156,162	-
Public schools (P&I)	5,341,068	5,341,068	5,341,068	-
Total debt service	63,852,039	62,393,194	62,393,193	1
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	38,764,693	38,165,678	38,069,680	95,998
Public Schools	20,583,312	20,529,197	20,529,197	-
	59,348,005	58,694,875	58,598,877	95,998

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
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	\$ 1,336,673	1,011,673	872,219	139,454
Public Schools	160,000	808,428	808,428	-
Public safety injured on duty	1,333,767	808,767	702,193	106,574
Unemployment compensation:				
Municipal departments	119,840	296,217	173,717	122,500
Public Schools	1,003,023	1,736,795	1,736,795	-
	<u>3,953,303</u>	<u>4,661,880</u>	<u>4,293,352</u>	<u>368,528</u>
Group insurance:				
Municipal departments	32,855,439	32,805,890	31,813,226	992,664
Public Schools	61,665,899	64,691,421	64,691,421	-
	<u>94,521,338</u>	<u>97,497,311</u>	<u>96,504,647</u>	<u>992,664</u>
Total fringe benefits	<u>157,822,646</u>	<u>160,854,066</u>	<u>159,396,876</u>	<u>1,457,190</u>
Contingency	<u>6,677,731</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>873,155,478</u>	<u>887,951,608</u>	<u>882,771,871</u>	<u>5,179,737</u>
Excess of revenues over expenditures	<u>19,668,942</u>	<u>5,351,159</u>	<u>19,737,542</u>	<u>14,386,383</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,334,681	2,345,916	2,389,577	43,661
Transfers out	(21,003,623)	(32,868,944)	(32,868,944)	-
Total other financing sources (uses)	<u>(19,668,942)</u>	<u>(30,523,028)</u>	<u>(30,479,367)</u>	<u>43,661</u>
Net changes in fund balance	-	(25,171,869)	(10,741,825)	14,430,044
Budgetary fund balance - beginning	99,636,476	99,636,476	99,636,476	-
Budgetary fund balance - ending	<u>\$ 99,636,476</u>	<u>74,464,607</u>	<u>88,894,651</u>	<u>14,430,044</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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)

	2025 *	2024 *	2023 *	2022 *	2021 *
<u>Total pension liability</u>					
Service cost	\$ 41,867,225	38,512,323	\$ 35,692,910	\$ 34,521,663	\$ 34,203,842
Interest	118,577,137	114,284,172	111,379,237	109,033,323	106,483,253
Change of benefit term	-	7,282,195	-	21,678,106	-
Differences between expected and actual experience	3,703,578	4,503,402	(6,251,568)	(13,682,272)	(10,567,983)
Changes of assumptions	-	-	-	2,637,615	-
Benefit payments, including refunds of member contributions	(107,541,848)	(102,068,473)	(99,772,248)	(95,473,388)	(91,485,398)
Net change in total pension liability	56,606,092	62,513,619	41,048,331	58,715,047	38,633,714
Total pension liability - beginning	1,755,685,119	1,693,171,500	1,652,123,169	1,593,408,122	1,554,774,408
Total pension liability - ending (a)	\$ 1,812,291,211	1,755,685,119	\$ 1,693,171,500	\$ 1,652,123,169	\$ 1,593,408,122
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 69,932,716	66,733,809	\$ 62,761,035	\$ 59,024,767	\$ 55,510,926
Contributions - member	26,398,820	24,296,531	21,764,386	20,012,226	20,534,325
Net investment income	114,089,963	125,351,490	(110,667,214)	221,467,014	117,030,633
Benefit payments, including refunds of member contributions	(107,541,848)	(102,068,473)	(99,772,248)	(95,473,388)	(91,485,398)
Administrative expense	(737,169)	(681,755)	(575,104)	(568,333)	(556,041)
Other	(1)	(483,991)	-	-	(579,138)
Net change in plan fiduciary net position	102,142,481	113,147,611	(126,489,145)	204,462,286	100,455,307
Plan fiduciary net position - beginning	1,325,168,057	1,212,020,446	1,338,509,591	1,134,047,305	1,033,591,998
Plan fiduciary net position - ending (b)	\$ 1,427,310,538	1,325,168,057	\$ 1,212,020,446	\$ 1,338,509,591	\$ 1,134,047,305
WRS's net pension liability - ending (a) - (b)	\$ 384,980,673	430,517,062	\$ 481,151,054	\$ 313,613,578	\$ 459,360,817
Plan fiduciary net position as a percentage of the total pension liability	78.76%	75.48%	71.58%	81.02%	71.17%
Covered payroll	\$ 263,068,904	239,876,751	\$ 218,345,985	\$ 199,971,632	\$ 199,137,147
Net pension liability as a percentage of covered payroll	146.34%	179.47%	220.36%	156.83%	230.68%
<u>Total pension liability</u>	2020 *	2019 *	2018 *	2017 *	2016 *
Service cost	\$ 32,665,206	33,231,538	28,844,823	27,155,573	26,309,138
Interest	103,120,036	101,742,520	98,349,284	95,556,357	92,787,477
Change of benefit term	-	-	-	-	-
Differences between expected and actual experience	1,669,782	(8,340,855)	(1,005,891)	(2,523,911)	(1,619,304)
Changes of assumptions	-	1,608,506	73,039,312	19,119,320	16,825,451
Benefit payments, including refunds of member contributions	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)	(75,957,945)
Net change in total pension liability	48,437,650	43,965,746	116,104,907	59,366,509	58,344,817
Total pension liability - beginning	1,506,336,758	1,462,371,012	1,346,266,105	1,286,899,596	1,228,554,779
Total pension liability - ending (a)	\$ 1,554,774,408	1,506,336,758	1,462,371,012	1,346,266,105	1,286,899,596
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 52,206,269	49,098,344	46,188,470	44,411,990	42,703,837
Contributions - member	20,740,274	19,969,060	19,327,093	17,797,519	17,409,182
Net investment income	147,174,441	(30,549,012)	134,646,815	58,737,894	(10,490,024)
Benefit payments, including refunds of member contributions	(89,017,374)	(84,275,963)	(83,122,621)	(79,940,830)	(75,957,945)
Administrative expense	(658,260)	(587,936)	(583,404)	(565,669)	(572,743)
Other	(1,319,129)	(1,632,787)	(1,356,993)	(926,263)	(895,410)
Net change in plan fiduciary net position	129,126,221	(47,978,294)	115,099,360	39,514,641	(27,803,103)
Plan fiduciary net position - beginning	904,465,777	952,444,071	837,344,711	797,830,070	825,633,173
Plan fiduciary net position - ending (b)	\$ 1,033,591,998	904,465,777	952,444,071	837,344,711	797,830,070
WRS's net pension liability - ending (a) - (b)	\$ 521,182,410	601,870,981	509,926,941	508,921,394	489,069,526
Plan fiduciary net position as a percentage of the total pension liability	66.48%	60.04%	65.13%	62.20%	62.00%
Covered payroll	\$ 196,970,554	192,957,155	182,832,183	175,910,160	173,759,691
Net pension liability as a percentage of covered payroll	264.60%	311.92%	278.90%	289.31%	281.46%

* The amounts presented were determined as of December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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

	<u>2025 *</u>	<u>2024 *</u>	<u>2023 *</u>	<u>2022 *</u>	<u>2021 *</u>
Actuarially determined contribution	\$ 69,932,716	66,733,809	62,761,035	59,024,767	55,510,926
Contributions in relation to the statutorily determined contribution	<u>69,932,716</u>	<u>66,733,809</u>	<u>62,761,035</u>	<u>59,024,767</u>	<u>55,510,926</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 263,068,904	239,876,751	218,345,985	199,971,632	199,137,147
Contributions as a percentage of covered payroll	26.58%	27.82%	28.74%	29.52%	27.88%

	<u>2020 *</u>	<u>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>
Actuarially determined contribution	\$ 52,206,269	49,098,344	46,188,470	44,411,990	42,703,837
Contributions in relation to the statutorily determined contribution	<u>52,206,269</u>	<u>49,098,344</u>	<u>46,188,470</u>	<u>44,411,990</u>	<u>42,703,837</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 196,970,554	192,957,155	182,832,183	175,910,160	173,759,691
Contributions as a percentage of covered payroll	26.50%	25.45%	25.26%	25.25%	24.58%

* The amounts presented were determined as of December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015.

Schedule of Investment Returns (WRS)

	<u>2025*</u>	<u>2024 *</u>	<u>2023 *</u>	<u>2022 *</u>	<u>2021 *</u>	<u>2020 *</u>	<u>2019 *</u>	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>
Annual money-weighted rate of return, net of investment expense	8.81%	10.58%	-8.20%	19.82%	11.56%	16.11%	-3.00%	16.54%	7.87%	-1.46%

* The amounts presented were determined as of December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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)

	2025*	2024*	2023*	2022*	2021*
City's proportion of the net pension liability	92.145577%	91.826267%	91.625943%	92.498832%	92.061716%
City's proportionate share of the net pension liability	\$ 354,742,663	395,327,746	440,859,190	290,088,897	422,895,451
City's covered payroll	242,406,361	220,355,506	200,061,567	184,971,424	183,329,075
City's proportionate share of the net pension liability as a percentage of its covered payroll	146.34%	179.40%	220.36%	156.83%	230.68%
Plan fiduciary net position as a percentage of the total pension liability	78.76%	75.37%	71.58%	81.02%	71.17%
	2020*	2019*	2018*	2017*	2016*
City's proportion of the net pension liability	92.288158%	92.623763%	91.951084%	91.768757%	92.066769%
City's proportionate share of the net pension liability	\$ 480,989,646	557,475,552	468,883,350	467,030,837	450,270,511
City's covered payroll	181,780,496	178,724,179	168,116,175	161,430,567	159,974,933
City's proportionate share of the net pension liability as a percentage of its covered payroll	264.60%	311.92%	278.90%	289.31%	281.46%
Plan fiduciary net position as a percentage of the total pension liability	66.48%	60.04%	65.13%	62.20%	62.00%

* The amounts presented were determined as of December 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 64,439,905	61,302,991	57,505,390	54,597,220	51,104,311
Contributions in relation to the statutorily determined contribution	<u>64,439,905</u>	<u>61,302,991</u>	<u>57,505,390</u>	<u>54,597,220</u>	<u>51,104,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 242,406,361	220,355,506	200,061,567	187,452,054	185,787,679
Contributions as a percentage of covered payroll	26.58%	27.82%	28.74%	29.13%	27.51%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 48,180,204	45,476,734	42,470,799	40,756,331	39,316,043
Contributions in relation to the statutorily determined contribution	<u>48,180,204</u>	<u>45,476,734</u>	<u>42,470,799</u>	<u>40,756,331</u>	<u>39,316,043</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 184,218,332	180,944,440	170,204,654	163,435,992	162,356,825
Contributions as a percentage of covered payroll	26.15%	25.13%	24.95%	24.94%	24.22%

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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)

	2025*	2024*	2023*	2022*	2021*
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	722,708,543	700,489,268	710,349,080	580,545,205	765,599,948
Total	<u>\$ 722,708,543</u>	<u>700,489,268</u>	<u>710,349,080</u>	<u>580,545,205</u>	<u>765,599,948</u>
City's covered payroll	\$ 257,690,198	256,684,436	221,692,970	229,501,582	208,715,982
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	58.48%	61.45%	57.75%	62.03%	50.67%
	2020*	2019*	2018*	2017*	2016*
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	-	-	-	-
Commonwealth's proportionate share of the net pension liability associated with the City	663,622,575	626,837,968	602,552,506	599,739,073	550,242,570
Total	<u>\$ 663,622,575</u>	<u>626,837,968</u>	<u>602,552,506</u>	<u>599,739,073</u>	<u>550,242,570</u>
City's covered payroll	\$ 205,734,272	194,659,324	188,012,690	178,781,000	176,442,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	54.25%	54.25%	52.73%	55.38%	61.64%

*The amounts presented were determined as of June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016.

Schedule of City's Contributions (MTRS)

	2025*	2024*	2023*	2022*	2021*
Contractually required contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 257,690,198	256,684,436	221,692,970	229,501,582	208,715,982
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	2020*	2019*	2018*	2017*	2016*
Contractually required contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 205,734,272	194,659,324	188,012,690	178,781,000	176,442,000
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

*The amounts presented were determined as of June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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

	2025*	2024*	2023*	2022*	2021*
District's proportion of the net pension liability	0.07619%	0.07012%	0.06807%	0.06879%	0.06548%
District's proportionate share of the net pension liability	\$ 10,762,534	10,270,259	9,468,377	7,179,273	11,234,954
District's covered payroll	5,604,000	5,035,000	4,391,000	4,187,000	4,245,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	192.1%	204.0%	215.6%	171.5%	264.7%
Plan fiduciary net position as a percentage of the total pension liability	72.9%	70.7%	71.1%	77.5%	62.5%
	2020*	2019*	2018*	2017*	2016*
District's proportion of the net pension liability	0.06515%	0.06271%	0.06445%	0.06517%	0.06237%
District's proportionate share of the net pension liability	\$ 9,534,432	8,296,794	8,265,187	8,986,634	7,099,775
District's covered payroll	3,781,000	3,676,509	3,678,070	3,630,096	3,413,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	252.2%	225.6%	224.7%	247.6%	208.0%
Plan fiduciary net position as a percentage of the total pension liability	66.3%	67.9%	67.2%	63.5%	67.9%

*The amounts presented were determined as of June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016.

Schedule of District's Contributions

	2025*	2024*	2023*	2022*	2021*
Actuarially determined contribution	\$ 638,838	573,999	416,563	478,950	483,000
Contributions in relation to the actuarially determined contribution	638,838	573,999	416,563	478,950	483,000
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 5,604,000	5,035,000	4,391,000	4,187,000	4,245,000
Contributions as a percentage of covered payroll	11.40%	11.40%	9.49%	11.44%	11.38%
	2020*	2019*	2018*	2017*	2016*
Contractually required contribution	\$ 431,000	419,122	419,300	413,831	389,000
Contributions in relation to the contractually required contribution	431,000	419,122	419,300	413,831	389,000
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 3,781,000	3,676,509	3,678,070	3,630,096	3,413,667
Contributions as a percentage of covered payroll	11.40%	11.40%	11.40%	11.40%	11.40%

*The amounts presented were determined as of June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

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*

	2025	2024	2023	2022	2021
Total OPEB liability					
Changes for the year:					
Service cost	\$ 44,400,597	47,711,107	48,001,735	68,397,517	47,108,000
Interest	49,581,368	45,667,287	45,504,995	34,224,947	29,224,523
Changes of benefit terms	-	-	(3,314,309)	-	-
Differences between expected and actual experience	(91,041,811)	-	(71,710,738)	-	(31,076,275)
Changes in assumptions/inputs	(21,643,709)	(70,554,100)	(13,310,304)	(344,645,654)	359,707,450
Benefit payments	(40,021,073)	(40,709,810)	(37,638,252)	(35,596,712)	(33,608,471)
Net changes	(58,724,628)	(17,885,516)	(32,466,873)	(277,619,902)	371,355,227
Total OPEB liability, beginning of the fiscal year	1,205,916,829	1,223,802,345	1,256,269,218	1,533,889,120	1,162,533,893
Total OPEB liability, end of the fiscal year (a)	\$ 1,147,192,201	1,205,916,829	1,223,802,345	1,256,269,218	1,533,889,120
 Plan Fiduciary Net Position					
Contributions - employer	\$ 8,623,356	6,654,824	3,888,282	6,614,429	3,769,127
Contributions - employees	376,576	215,931	81,440	-	-
Contributions for benefit payments	40,021,073	40,709,810	37,638,252	35,596,712	33,608,471
Investment income, net	4,951,122	3,857,720	1,853,318	(1,518,049)	1,499,997
Benefit payments	(40,021,073)	(40,709,810)	(37,638,252)	(35,596,712)	(33,608,471)
Administrative expenses	(5,000)	(17,550)	(4,000)	(12,000)	-
Net change in plan fiduciary net position	13,946,054	10,710,925	5,819,040	5,084,380	5,269,124
Plan fiduciary net position - beginning	47,389,093	36,678,168	30,859,128	25,774,748	20,505,624
Plan fiduciary net position - ending (b)	\$ 61,335,147	47,389,093	36,678,168	30,859,128	25,774,748
Net OPEB Liability (a) - (b)	\$ 1,085,857,054	1,158,527,736	1,187,124,177	1,225,410,090	1,508,114,372
 Total OPEB liability	\$ 1,147,192,201	1,205,916,829	1,223,802,345	1,256,269,218	1,533,889,120
Plan fiduciary net position	61,335,147	47,389,093	36,678,168	30,859,128	25,774,748
Net OPEB liability	\$ 1,085,857,054	1,158,527,736	1,187,124,177	1,225,410,090	1,508,114,372
 Covered payroll	\$ 539,722,777	527,407,505	471,336,100	413,934,432	364,301,765
 Net OPEB Liability as a percentage of covered payroll	201.2%	219.7%	251.9%	296.0%	414.0%
 Discount Rate	5.32%	4.03%	3.65%	3.54%	2.16%
 Weighted average investment return	9.59%	10.45%	6.19%	-5.11%	6.63%

(continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

Schedules of Changes in the Net OPEB Liability and Related Ratios* (continued)

	2020	2019	2018
Changes for the year:			
Service cost	38,503,704	32,551,711	31,603,603
Interest	29,572,938	25,793,294	28,218,425
Changes of benefit terms	-	-	-
Differences between expected and actual experience	78,078,974	8,668,944	6,664,810
Changes in assumptions/inputs	6,683,323	71,307,434	-
Benefit payments	<u>(24,647,288)</u>	<u>(22,388,653)</u>	<u>(23,376,480)</u>
Net changes	128,191,651	115,932,730	43,110,358
Total OPEB liability, beginning of the fiscal year	<u>918,642,242</u>	<u>802,709,512</u>	<u>759,599,154</u>
Total OPEB liability, end of the fiscal year (a)	<u>1,046,833,893</u>	<u>918,642,242</u>	<u>802,709,512</u>
Plan Fiduciary Net Position			
Contributions - employer	19,826,603	-	-
Contributions - employees	-	-	-
Contributions for benefit payments	24,647,288	-	-
Investment income, net	679,021	-	-
Benefit payments	(24,647,288)	-	-
Administrative expenses	-	-	-
Net change in plan fiduciary net position	<u>20,505,624</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	<u>20,505,624</u>	<u>-</u>	<u>-</u>
Net OPEB Liability (a) - (b)	<u>1,026,328,269</u>	<u>918,642,242</u>	<u>802,709,512</u>
Total OPEB liability	1,046,833,893	918,642,242	802,709,512
Plan fiduciary net position	<u>20,505,624</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>1,026,328,269</u>	<u>918,642,242</u>	<u>802,709,512</u>
Covered payroll	384,459,031	360,955,133	350,441,877
Net OPEB Liability as a percentage of covered payroll	267.0%	254.5%	229.1%
Discount Rate	2.45%	3.13%	3.62%
Weighted average investment return	4.74%	N/A	N/A
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, 2025

Schedule of City's OPEB Contributions *

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 89,403,150	91,333,236	92,235,009	112,120,301	81,767,528
Contributions in relation to the actuarially determined contribution	<u>48,644,429</u>	<u>47,364,634</u>	<u>41,526,534</u>	<u>42,172,769</u>	<u>37,377,598</u>
Contribution deficiency (excess)	\$ <u>40,758,721</u>	<u>43,968,602</u>	<u>50,708,475</u>	<u>69,947,532</u>	<u>44,389,930</u>
Covered payroll	\$ 539,722,777	527,407,505	471,336,100	413,934,432	364,301,765
Contributions as a percentage of covered payroll	9.01%	8.98%	8.81%	10.19%	10.26%
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Actuarially determined contribution	-	-	-		
Contributions in relation to the actuarially determined contribution	<u>44,473,891</u>	<u>22,388,653</u>	<u>23,376,480</u>		
Contribution deficiency (excess)	<u>(44,473,891)</u>	<u>(22,388,653)</u>	<u>(23,376,480)</u>		
Covered payroll	384,459,031	360,955,133	350,441,877		
Contributions as a percentage of covered payroll	11.57%	6.20%	6.67%		

* 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, 2025

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 (The District)*

	2025	2024	2023	2022	2021
Total OPEB liability (District)					
Changes for the year:					
Service cost	\$ 210,545	175,138	131,778	126,103	131,365
Interest	361,911	341,106	407,715	387,714	376,865
Differences between expected and actual experience	1,026,253	-	(1,300,704)	-	(134,907)
Changes in assumptions/inputs	-	-	-	-	-
Benefit payments	(301,983)	(228,653)	(196,063)	(267,579)	(195,521)
Net changes in total OPEB liability	1,296,726	287,591	(957,274)	246,238	177,802
Total OPEB Liability, beginning of the fiscal year	4,929,685	4,642,094	5,599,368	5,353,130	5,175,328
Total OPEB Liability, end of the fiscal year (a)	\$ 6,226,411	4,929,685	4,642,094	5,599,368	5,353,130
Plan Fiduciary Net Position (District)					
Contributions - employer	\$ 301,983	425,386	416,563	477,579	395,521
Investment income, net	478,770	581,866	320,320	(342,584)	714,801
Benefit payments	(301,983)	(204,886)	(196,063)	(267,579)	(195,521)
Net change in plan fiduciary net position	478,770	802,366	540,820	(132,584)	914,801
Plan fiduciary net position - beginning	4,498,395	3,696,029	3,155,209	3,287,793	2,372,992
Plan fiduciary net position - ending (b)	\$ 4,977,165	4,498,395	3,696,029	3,155,209	3,287,793
District's Net OPEB Liability (a) - (b)	\$ 1,249,246	431,290	946,065	2,444,159	2,065,337
 Total OPEB liability	\$ 6,226,411	4,929,685	4,642,094	5,599,368	5,353,130
Plan fiduciary net position	4,977,165	4,498,395	3,696,029	3,155,209	3,287,793
Net OPEB liability	\$ 1,249,246	431,290	946,065	2,444,159	2,065,337
 Covered payroll	\$ 5,651,000	5,076,000	4,904,000	4,423,000	3,995,000
 Net OPEB Liability as a percentage of covered payroll	22.1%	8.5%	19.3%	55.3%	51.7%
 Weighted average investment return	10.33%	15.40%	16.67%	-4.46%	37.40%
 Discount Rate	7.25%	7.25%	7.25%	7.25%	7.25%

(continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

Schedules of Changes in Net OPEB Liability and Related Ratios (The District)* (continued)

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

Notes to Schedule:

Changes in benefit terms:	None
Changes in assumptions:	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 will contain 10 years of data in the future.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2025

Schedule of the District's OPEB Contributions *

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 476,000	266,000	318,000	466,000	390,000
Contributions in relation to the actuarially determined contribution	<u>301,983</u>	<u>425,386</u>	<u>416,563</u>	<u>477,579</u>	<u>395,521</u>
Contribution deficiency (excess)	<u>\$ 174,017</u>	<u>(159,386)</u>	<u>(98,563)</u>	<u>(11,579)</u>	<u>(5,521)</u>
Covered payroll	\$ 5,651,000	5,076,000	4,904,000	4,423,000	3,995,000
Contributions as a percentage of covered payroll	5.34%	8.38%	8.49%	10.80%	9.90%

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	299,000	285,000	307,000
Contributions in relation to the actuarially determined contribution	<u>419,678</u>	<u>626,536</u>	<u>1,668,078</u>
Contribution deficiency (excess)	<u>(120,678)</u>	<u>(341,536)</u>	<u>(1,361,078)</u>
Covered payroll	4,274,000	4,129,154	3,707,317
Contributions as a percentage of covered payroll	9.82%	15.17%	44.99%

* 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, 2025

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 2025, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$14,619. In fiscal 2025, revenues and other financial sources were more than estimates by \$9,250 and expenditures were less than budgetary estimates by \$5,180.

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, 2025:

	<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	\$ 902,509	882,772	(30,479)	(10,742)
Direct borrowings - equipment acquisitions	-	2,664	2,664	-
COLA on-behalf payments	424	424	-	-
OPEB contributions reported as fringe benefit	-	8,356	8,356	-
Adjustment of revenues to a modified basis	<u>2,790</u>	<u>-</u>	<u>-</u>	<u>2,790</u>
As reported on a GAAP basis	<u>\$ 905,723</u>	<u>894,216</u>	<u>(19,459)</u>	<u>(7,952)</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2025

Changes of Assumptions (WRS)

The investment return assumption was lowered from 7.625% as of January 1, 2015 to 7.5% as of January 1, 2016. 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%.

The salary increase assumption 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 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 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 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:

Actuarial cost method (2015-2025):	Entry Age Normal
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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2025

Amortization method (2023):	Appropriation increases 4.79% per year through fiscal year 2025, 3.50% in fiscal year 2026 through fiscal 2033, with a 23.97% decrease in 2034.
Amortization method (2024):	Appropriation increases 3.50% per year through fiscal year 2033, with a 49.00 decrease in 2034.
Amortization method (2025):	Appropriation increases 3.50% per year through fiscal year 2033, with a 50.07% decrease in 2034.
Remaining amortization period (2015):	17 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
Remaining amortization period (2023):	11 years
Remaining amortization period (2024):	10 years
Remaining amortization period (2025):	9 years
Asset valuation method (2015-2025):	5-year smoothed fair value
Inflation (2015-2018):	2.50% for the next year; 3.50% thereafter
Inflation (2019-2025):	3.00%
Salary increases (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 (2019-2025):	4.00%
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 (2022-2025):	6.8%

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 5.32% for fiscal year 2025, 4.02% for fiscal year 2024, 3.65% for fiscal year 2023, 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 2.5% per year for fiscal year 2023, 2.4% for fiscal year 2022, 2.2% for fiscal year 2021, 2.5% for fiscal year 2020, 3.0% for fiscal year 2018 based on current economic data, analyses from economists and other experts, and professional judgement.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2025

Participation rate – For fiscal years 2021 through 2025 the City's participation rate was 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 years 2021 through 2025 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 healthcare cost trend rates for fiscal year 2022 to 8% decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4.0%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical trend rate is reached in 2075. 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 2023 for pre-retirement mortality rates to RP-2014 Blue Collar Employee Mortality Table, projected with generational mortality improvement using scale MP-2021. The City changed the mortality assumptions for fiscal year 2023 for healthy retiree mortality rates to RP-2014 Blue Collar Healthy Annuitant Mortality Table, projected with generational mortality improvement using scale MP-2021. The City changed the mortality assumptions for fiscal year 2023 for disabled retiree mortality rates to RP-2014 Blue Collar Employee Mortality Table, projected with generational mortality improvement using scale MP-2021. The City changed the mortality assumptions for fiscal year 2023 for pre-retirement mortality rates for teachers to PUB-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected with generational mortality improvement using scale MP-2020. The City changed the mortality assumptions for fiscal year 2023 for healthy retiree mortality rates for teachers to PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality improvement using scale MP-2020. The City changed the mortality assumptions for fiscal year 2023 for disabled retiree mortality rates for teachers to PUB-2010 Teachers Headcount-Weighted Disabled Mortality Table, base year 2010, projected with generational mortality improvement using scale MP-2020. The City changed the mortality assumptions for fiscal year 2021 to RP-2014 blue collar employee and blue collar healthy annuitant mortality tables, projected with generational mortality improvement using scale MP-2017. The City changed the mortality tables for fiscal year 2020 as follows: mortality rates for School, Fire/Police, and Other active employees were based on the PubT.H-2010, PubS.H-2010 and PubG.H-2010 Employee Mortality Table, respectively, Generational with Projection Scale MP-2019 for males or females, as appropriate. In addition, the mortality rates for School, Fire/Police, and Other retirees were based on the

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2025

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.

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 Details – accounts for police off-duty details.

Parking Fees— 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 Preservation Fund— accounts for revenues received on a property tax surcharge pursuant to M.G.L. chapter 44B that may be appropriated for certain open space, recreational, historic resource and affordable housing purposes.

CDBG Block Grants – accounts for community development block 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.

School Construction – accounts for the construction and rehabilitation of school buildings.

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

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Welfare – accounts for expenditures from welfare type trusts.

Enterprise Funds - Separate schedules of revenues, expenditures and changes in fund balance – budget and actual – budgetary basis are provided for the golf course (nonmajor), sewer and water enterprise funds. The “actual” results columns of the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a “budgetary basis” to provide a meaningful comparison with the budgets. Actual amounts can vary from GAAP amounts.

Capital Assets - Two separate schedules are provided for capital assets used in the operation of governmental activities.

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2025

Special Revenue Funds						
	DCU Center Operations	School Lunch & Breakfast	Police Details	Parking Fees	City Revolving	School Grants
Assets:						
Cash and cash equivalents	\$ -	-	-	-	-	-
Restricted cash and cash equivalents	2,574,464	7,637,296	-	6,459,720	24,053,975	-
Restricted investments	-	-	-	-	-	-
Receivables, net	-	-	3,137,062	230,015	222,997	-
Intergovernmental receivables	-	-	-	-	-	23,983,450
Total assets	<u>\$ 2,574,464</u>	<u>7,637,296</u>	<u>3,137,062</u>	<u>6,689,735</u>	<u>24,276,972</u>	<u>23,983,450</u>
Liabilities:						
Accounts payable	\$ 32,779	741,085	-	870,351	115,126	734,888
Due to other funds	-	-	2,486,331	-	-	20,555,364
Retainage payable	-	-	-	-	-	51,897
Unearned revenue	-	-	-	-	-	1,838,403
Other liabilities	1,480,000	-	-	-	-	-
Total liabilities	<u>1,512,779</u>	<u>741,085</u>	<u>2,486,331</u>	<u>870,351</u>	<u>115,126</u>	<u>23,180,552</u>
Deferred inflows of resources:						
Unavailable revenue-property taxes	-	-	-	-	-	-
Unavailable revenue-other	-	-	3,137,062	230,015	222,997	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,137,062</u>	<u>230,015</u>	<u>222,997</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	1,061,685	6,896,211	-	5,589,369	23,938,849	802,898
Committed	-	-	-	-	-	-
Unassigned	-	-	(2,486,331)	-	-	-
Total fund balances	<u>1,061,685</u>	<u>6,896,211</u>	<u>(2,486,331)</u>	<u>5,589,369</u>	<u>23,938,849</u>	<u>802,898</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,574,464</u>	<u>7,637,296</u>	<u>3,137,062</u>	<u>6,689,735</u>	<u>24,276,972</u>	<u>23,983,450</u>

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Preservation Funds	CDBG Block Grants	MassHire Central Region Workforce	Subtotal
-	11,846,382	-	-	-	11,846,382
14,241,092	-	8,232,001	-	800,225	63,998,773
-	-	-	-	-	-
-	47,740	1,099,590	-	-	4,737,404
-	-	-	465,536	1,904,956	26,353,942
14,241,092	11,894,122	9,331,591	465,536	2,705,181	106,936,501
78,537	2,891	-	279,696	467,944	3,323,297
-	-	-	171,073	-	23,212,768
-	-	-	-	-	51,897
-	-	-	-	330,599	2,169,002
-	-	-	-	-	1,480,000
78,537	2,891	-	450,769	798,543	30,236,964
-	-	1,099,590	-	-	1,099,590
-	47,740	-	-	-	3,637,814
-	47,740	1,099,590	-	-	4,737,404
-	-	-	-	-	-
14,162,555	-	8,232,001	14,767	1,906,638	62,604,973
-	11,843,491	-	-	-	11,843,491
-	-	-	-	-	(2,486,331)
14,162,555	11,843,491	8,232,001	14,767	1,906,638	71,962,133
14,241,092	11,894,122	9,331,591	465,536	2,705,181	106,936,501

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2025

	Capital Projects Funds			
	DCU Center Construction	Streets and Sidewalks	Capital Equipment	Rehabilitation of Public Buildings
Assets:				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	383,474	10,331,779	1,329,534	3,341,853
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total assets	\$ <u>383,474</u>	<u>10,331,779</u>	<u>1,329,534</u>	<u>3,341,853</u>
Liabilities:				
Accounts payable	\$ 31,798	841,643	1,040,720	605,944
Due to other funds	-	-	-	-
Retainage payable	115,625	982,320	-	24,496
Unearned revenue	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	<u>147,423</u>	<u>1,823,963</u>	<u>1,040,720</u>	<u>630,440</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	-	-	-
Unavailable revenue-other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	236,051	8,507,816	288,814	2,711,413
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>236,051</u>	<u>8,507,816</u>	<u>288,814</u>	<u>2,711,413</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>383,474</u>	<u>10,331,779</u>	<u>1,329,534</u>	<u>3,341,853</u>

Capital Projects Funds				
School Construction	Parks Improvements	Baseball Stadium	Other	Subtotal
-	-	-	-	-
-	7,280,574	833	1,947,582	24,615,629
-	-	-	-	-
-	-	-	-	-
3,516,797	-	-	-	3,516,797
<u>3,516,797</u>	<u>7,280,574</u>	<u>833</u>	<u>1,947,582</u>	<u>28,132,426</u>
1,674,176	2,656,809	-	-	6,851,090
11,863,694	-	-	-	11,863,694
686,822	480,852	-	-	2,290,115
-	-	-	-	-
-	-	-	-	-
<u>14,224,692</u>	<u>3,137,661</u>	<u>-</u>	<u>-</u>	<u>21,004,899</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	4,142,913	833	1,947,582	17,835,422
-	-	-	-	-
(10,707,895)	-	-	-	(10,707,895)
<u>(10,707,895)</u>	<u>4,142,913</u>	<u>833</u>	<u>1,947,582</u>	<u>7,127,527</u>
<u>3,516,797</u>	<u>7,280,574</u>	<u>833</u>	<u>1,947,582</u>	<u>28,132,426</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2025

	Permanent Funds				
	Hope Cemetery	Health Department	Libraries	Schools	Parks
Assets:					
Cash and cash equivalents	\$ -	41,557	85,059	59,542	1,180
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	8,166,321	5,350,717	14,261,426	1,237,361	899,950
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Total assets	\$ 8,166,321	5,392,274	14,346,485	1,296,903	901,130
Liabilities:					
Accounts payable	\$ -	-	17,015	20,750	-
Due to other funds	-	-	-	-	-
Retainage payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	-	-	17,015	20,750	-
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-other	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	6,474,066	3,761,754	8,194,149	858,040	570,122
Restricted	1,692,255	1,630,520	6,135,321	418,113	331,008
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	8,166,321	5,392,274	14,329,470	1,276,153	901,130
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,166,321	5,392,274	14,346,485	1,296,903	901,130

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	1,210	106,448	1,283	296,279	12,142,661
-	-	-	-	-	88,614,402
18,320	660,438	555,378	7,137	31,157,048	31,157,048
-	-	-	-	-	4,737,404
-	-	-	-	-	29,870,739
18,320	661,648	661,826	8,420	31,453,327	166,522,254
-	-	-	-	37,765	10,212,152
-	-	-	-	-	35,076,462
-	-	-	-	-	2,342,012
-	-	-	-	-	2,169,002
-	-	-	-	-	1,480,000
-	-	-	-	37,765	51,279,628
-	-	-	-	-	1,099,590
-	-	-	-	-	3,637,814
-	-	-	-	-	4,737,404
7,424	475,520	298,237	5,078	20,644,390	20,644,390
10,896	186,128	363,589	3,342	10,771,172	91,211,567
-	-	-	-	-	11,843,491
-	-	-	-	-	(13,194,226)
18,320	661,648	661,826	8,420	31,415,562	110,505,222
18,320	661,648	661,826	8,420	31,453,327	166,522,254

(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, 2025

Special Revenue Funds						
	DCU Center Operations	School Lunch & Breakfast	Police Details	Parking Fees	City Revolving	School Grants
Revenues:						
Intergovernmental	\$ -	23,193,348	-	-	3,497,551	51,793,180
Investment earnings	-	-	-	-	1,868,953	-
Charges for services	1,191,887	176,214	13,984,719	6,703,801	2,864,735	-
Donations	200,000	-	-	-	1,992,311	673,051
Contributions to permanent fund	-	-	-	-	-	-
Energy sales and rebates	-	-	-	-	2,870,259	-
Miscellaneous	229,700	-	-	-	267	103,298
Total revenues	<u>1,621,587</u>	<u>23,369,562</u>	<u>13,984,719</u>	<u>6,703,801</u>	<u>13,094,076</u>	<u>52,569,529</u>
Expenditures:						
Current:						
General government	-	-	-	-	2,353,676	-
Public safety	-	-	14,398,764	-	1,770,918	-
Health and human services	-	-	-	-	304,717	-
Education	-	21,273,459	-	-	-	54,028,632
Public works	-	-	-	4,121,757	231,274	-
Culture and recreation	1,290,544	-	-	-	2,196,088	-
Community development	-	-	-	-	1,764,900	-
Debt service:						
Principal	118,131	-	-	1,860,671	246,881	-
Interest	6,779	-	-	776,329	22,225	-
Total expenditures	<u>1,415,454</u>	<u>21,273,459</u>	<u>14,398,764</u>	<u>6,758,757</u>	<u>8,890,679</u>	<u>54,028,632</u>
Excess (deficiency) of revenues over expenditures	<u>206,133</u>	<u>2,096,103</u>	<u>(414,045)</u>	<u>(54,956)</u>	<u>4,203,397</u>	<u>(1,459,103)</u>
Other financing sources (uses):						
Transfers in	-	-	50,000	1,260,000	163,376	-
Transfers out	-	-	-	(1,250,000)	-	-
Premium on issuance of bonds and notes	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-
Lease financing	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>10,000</u>	<u>163,376</u>	<u>-</u>
Net change in fund balances	<u>206,133</u>	<u>2,096,103</u>	<u>(364,045)</u>	<u>(44,956)</u>	<u>4,366,773</u>	<u>(1,459,103)</u>
Fund balances – beginning	<u>855,552</u>	<u>4,800,108</u>	<u>(2,122,286)</u>	<u>5,634,325</u>	<u>19,572,076</u>	<u>2,262,001</u>
Fund balances – ending	<u>\$ 1,061,685</u>	<u>6,896,211</u>	<u>(2,486,331)</u>	<u>5,589,369</u>	<u>23,938,849</u>	<u>802,898</u>

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Preservation Funds	CDBG Block Grants	MassHire Central Region Workforce	Subtotal
8,211,208	-	-	2,996,054	8,495,314	98,186,655
766	-	33,743	-	-	1,903,462
3,081,975	873,939	-	-	-	28,877,270
1,000	-	-	-	-	2,866,362
-	-	-	-	-	-
-	-	-	-	-	2,870,259
275	1,572,577	4,725,129	-	-	6,631,246
11,295,224	2,446,516	4,758,872	2,996,054	8,495,314	141,335,254
-	1,123,641	-	-	-	3,477,317
-	-	-	-	-	16,169,682
-	-	-	-	-	304,717
5,671,921	-	-	-	-	80,974,012
-	1,453,189	-	-	-	5,806,220
-	-	-	-	-	3,486,632
-	4,369	123,316	3,023,882	8,788,679	13,705,146
-	-	-	-	-	2,225,683
-	-	-	-	-	805,333
5,671,921	2,581,199	123,316	3,023,882	8,788,679	126,954,742
5,623,303	(134,683)	4,635,556	(27,828)	(293,365)	14,380,512
226,038	-	-	-	-	1,699,414
-	(16,708,071)	-	-	-	(17,958,071)
-	524,474	-	-	-	524,474
-	-	-	-	-	-
-	-	-	-	-	-
226,038	(16,183,597)	-	-	-	(15,734,183)
5,849,341	(16,318,280)	4,635,556	(27,828)	(293,365)	(1,353,671)
8,313,214	28,161,771	3,596,445	42,595	2,200,003	73,315,804
14,162,555	11,843,491	8,232,001	14,767	1,906,638	71,962,133

(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, 2025

	Capital Projects Funds			
	DCU Center Construction	Streets and Sidewalks	Capital Equipment	Rehabilitation of Public Buildings
Revenues:				
Intergovernmental	\$ -	2,899,969	-	-
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	-	-	-	-
Contributions to permanent fund	-	-	-	-
Energy sales and rebates	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	2,899,969	-	-
Expenditures:				
Current:				
General government	-	-	870,786	1,423,279
Public safety	-	-	4,371,291	1,528,160
Health and human services	-	-	-	-
Education	-	-	59,863	-
Public works	-	13,440,004	1,454,845	314,995
Culture and recreation	3,150,497	-	1,018,205	89,628
Community development	-	-	-	1,344,965
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	3,150,497	13,440,004	7,774,990	4,701,027
Excess (deficiency) of revenues over expenditures	(3,150,497)	(10,540,035)	(7,774,990)	(4,701,027)
Other financing sources (uses):				
Transfers in	726,185	7,730,020	1,106,946	209,128
Transfers out	(726,185)	(7,380,020)	(126,963)	(159,128)
Premium on issuance of bonds and notes	82,000	1,837,275	-	-
Issuance of bonds	1,469,547	6,273,149	6,470,263	8,402,717
Lease financing	-	-	-	-
Total other financing sources (uses)	1,551,547	8,460,424	7,450,246	8,452,717
Net change in fund balances	(1,598,950)	(2,079,611)	(324,744)	3,751,690
Fund balances – beginning	1,835,001	10,587,427	613,558	(1,040,277)
Fund balances – ending	\$ 236,051	8,507,816	288,814	2,711,413

Capital Projects Funds

School Construction	Parks Improvements	Baseball Stadium	Other	Subtotal
8,452,800	1,975,648	-	-	13,328,417
-	-	-	-	-
-	150,000	-	-	150,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,452,800	2,125,648	-	-	13,478,417
-	-	-	-	2,294,065
-	-	-	-	5,899,451
-	-	-	-	-
48,584,354	-	-	-	48,644,217
-	-	-	-	15,209,844
-	9,530,789	-	-	13,789,119
-	-	-	(22,487)	1,322,478
-	-	-	-	-
-	-	-	-	-
48,584,354	9,530,789	-	(22,487)	87,159,174
(40,131,554)	(7,405,141)	-	22,487	(73,680,757)
3,880,294	404,187	-	1,728,998	15,785,758
(3,880,294)	(227,424)	(372,689)	(30,811)	(12,903,514)
463,294	-	-	-	2,382,569
13,878,228	6,516,183	-	15,000	43,025,087
-	-	-	-	-
14,341,522	6,692,946	(372,689)	1,713,187	48,289,900
(25,790,032)	(712,195)	(372,689)	1,735,674	(25,390,857)
15,082,137	4,855,108	373,522	211,908	32,518,384
(10,707,895)	4,142,913	833	1,947,582	7,127,527

(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, 2025

	Permanent Funds				
	Hope Cemetery	Health Department	Library	Schools	Parks
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	711,452	458,620	1,284,191	105,585	77,220
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	172,798	-	-	1,492	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>884,250</u>	<u>458,620</u>	<u>1,284,191</u>	<u>107,077</u>	<u>77,220</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	-	-	-	-
Education	-	-	-	36,850	-
Public works	-	-	-	-	-
Culture and recreation	-	-	248,927	-	-
Community development	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>248,927</u>	<u>36,850</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>884,250</u>	<u>458,620</u>	<u>1,035,264</u>	<u>70,227</u>	<u>77,220</u>
Other financing sources (uses):					
Transfers in	59,589	15,000	450,144	20,750	-
Transfers out	(119,178)	(15,000)	(450,144)	(20,750)	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Lease financing	-	-	-	-	-
Total other financing sources (uses)	<u>(59,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>824,661</u>	<u>458,620</u>	<u>1,035,264</u>	<u>70,227</u>	<u>77,220</u>
Fund balances – beginning	<u>7,341,660</u>	<u>4,933,654</u>	<u>13,294,206</u>	<u>1,205,926</u>	<u>823,910</u>
Fund balances – ending	\$ <u><u>8,166,321</u></u>	<u><u>5,392,274</u></u>	<u><u>14,329,470</u></u>	<u><u>1,276,153</u></u>	<u><u>901,130</u></u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	111,515,072
1,571	56,669	47,655	612	2,743,575	4,647,037
-	-	-	-	-	28,877,270
-	-	-	-	-	3,016,362
-	-	-	-	174,290	174,290
-	-	-	-	-	2,870,259
-	-	-	-	-	6,631,246
1,571	56,669	47,655	612	2,917,865	157,731,536
-	-	-	-	-	5,771,382
-	-	-	-	-	22,069,133
-	-	-	-	-	304,717
-	-	-	-	36,850	129,655,079
-	-	-	-	-	21,016,064
-	-	-	-	248,927	17,524,678
-	-	-	-	-	15,027,624
-	-	-	-	-	2,225,683
-	-	-	-	-	805,333
-	-	-	-	285,777	214,399,693
1,571	56,669	47,655	612	2,632,088	(56,668,157)
-	-	-	-	545,483	18,030,655
-	-	-	-	(605,072)	(31,466,657)
-	-	-	-	-	2,907,043
-	-	-	-	-	43,025,087
-	-	-	-	-	-
-	-	-	-	(59,589)	32,496,128
1,571	56,669	47,655	612	2,572,499	(24,172,029)
16,749	604,979	614,171	7,808	28,843,063	134,677,251
18,320	661,648	661,826	8,420	31,415,562	110,505,222

(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, 2025

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Fees	\$ 1,799,905	1,799,905	1,828,838	28,933
Miscellaneous	73,268	73,268	154,227	80,959
Total revenues	1,873,173	1,873,173	1,983,065	109,892
Expenditures:				
Salaries and benefits	534,598	539,210	539,210	-
Ordinary maintenance	1,052,720	1,048,108	982,405	65,703
Debt service	225,092	225,092	225,091	1
Indirect costs	43,006	43,006	43,006	-
Total expenditures	1,855,416	1,855,416	1,789,712	65,704
Excess (deficiency) of revenues over expenditures	17,757	17,757	193,353	175,596
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out) for pension bond assessment	(17,757)	(17,757)	(17,757)	-
Total other financing sources (uses)	(17,757)	(17,757)	(17,757)	-
Net changes in fund balance	-	-	175,596	175,596
Budgetary fund balance – beginning	259,982	259,982	259,982	-
Budgetary fund balance – ending	\$ 259,982	259,982	435,578	175,596

Reconciliation to GAAP-basis:

	Expenses	Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 1,789,712	(17,757)	175,596
Change in net pension liability and related pension deferred inflows and outflows	(12,647)	-	12,647
Change in net OPEB liability and related OPEB deferred inflows and outflows	(30,535)	-	30,535
OPEB contribution paid by general fund	3,179	3,179	-
Net change in compensated absences	26,345	-	(26,345)
Debt service principal	(172,040)	-	172,040
Amortization of premium interest	(12,845)	-	12,845
Net change in accrued interest	(2,427)	-	2,427
Depreciation	194,011	-	(194,011)
As reported on a GAAP basis	\$ 1,782,753	(14,578)	185,734

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, 2025

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 52,752,943	52,752,943	51,874,848	(878,095)
Miscellaneous	350,000	350,000	98,472	(251,528)
Total revenues	53,102,943	53,102,943	51,973,320	(1,129,623)
Expenditures:				
Salaries and benefits	8,437,962	8,045,575	8,045,575	-
Ordinary maintenance	27,749,513	28,160,651	27,639,997	520,654
Capital	24,500	3,330	-	3,330
Debt service	12,430,303	12,432,722	12,432,721	1
Indirect costs	3,967,984	3,967,984	3,967,984	-
Total expenditures	52,610,262	52,610,262	52,086,277	523,985
Excess of revenues over expenditures	492,681	492,681	(112,957)	(605,638)
Other financing sources (uses):				
Transfers in	-	-	15,509,020	15,509,020
Transfers out	(492,681)	(492,681)	(611,611)	(118,930)
Total other financing sources (uses)	(492,681)	(492,681)	14,897,409	15,390,090
Net changes in fund balance	-	-	14,784,452	14,784,452
Budgetary fund balance – beginning	4,610,353	4,610,353	4,610,353	-
Budgetary fund balance – ending	\$ 4,610,353	4,610,353	19,394,805	14,784,452

Reconciliation to GAAP-basis:

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 51,973,320	52,086,277	14,897,409	14,784,452
Net change in accrued receivables	3,485,902	-	-	3,485,902
Change in net pension liability and related pension deferred inflows and outflows	-	(677,813)	-	677,813
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	66,314	-	(66,314)
OPEB contribution paid by general fund	-	67,378	67,378	-
Net change in compensated absences	-	30,552	-	(30,552)
Net change in claims and judgments	-	(125,698)	-	125,698
Capital grants	-	-	78,300	78,300
Capital projects expenses	-	(509,169)	-	509,169
Debt service principal	-	(8,123,509)	-	8,123,509
Amortization of premium interest	-	(656,968)	-	656,968
Net change in accrued interest	-	92,639	-	(92,639)
Depreciation	-	11,947,258	-	(11,947,258)
As reported on a GAAP basis	\$ 55,459,222	54,197,261	15,043,087	16,305,048

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, 2025

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 30,457,304	30,457,304	31,711,762	1,254,458
Miscellaneous	30,000	30,000	418,308	388,308
Total revenues	30,487,304	30,487,304	32,130,070	1,642,766
Expenditures:				
Salaries and benefits	14,091,881	12,662,159	12,658,010	4,149
Ordinary maintenance	4,947,929	6,330,685	6,009,633	321,052
Capital	25,000	25,000	6,797	18,203
Debt service	7,623,871	7,670,837	7,670,836	1
Indirect costs	3,152,899	3,152,899	3,152,899	-
Total expenditures	29,841,580	29,841,580	29,498,175	343,405
Excess of revenues over expenditures	645,724	645,724	2,631,895	1,986,171
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(645,724)	(645,724)	(645,724)	-
Total other financing sources (uses)	(645,724)	(645,724)	(645,724)	-
Net changes in fund balance	-	-	1,986,171	1,986,171
Budgetary fund balance – beginning	13,900,964	13,900,964	13,900,964	-
Budgetary fund balance – ending	\$ 13,900,964	13,900,964	15,887,135	1,986,171

Reconciliation to GAAP-basis:

	Revenues	Expenses	Capital Grants & Transfers (Net)	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	\$ 32,130,070	29,498,175	(645,724)	1,986,171
Net change in accrued receivables	(61,805)	-	-	(61,805)
Change in net pension liability and related pension deferred inflows and outflows	-	(1,655,757)	-	1,655,757
Change in net OPEB liability and related OPEB deferred inflows and outflows	-	(53,162)	-	53,162
OPEB contribution paid by general fund	-	157,728	157,728	-
Net change in compensated absences	-	79,153	-	(79,153)
Net change in claims and judgments	-	156,960	-	(156,960)
Capital grants	(195,825)	-	195,825	-
Transfers out to capital projects fund	-	-	-	-
Capital projects expenses	-	277,236	(979,983)	(1,257,219)
Debt service principal	-	(5,365,483)	-	5,365,483
Amortization of premium interest	-	(458,890)	-	458,890
Net change in accrued interest	-	(36,580)	-	36,580
Depreciation	-	9,391,728	-	(9,391,728)
As reported on a GAAP basis	\$ 31,872,440	31,991,108	(1,272,154)	(1,390,822)

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CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2025

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 7,813,131	-	126,310
Elections	-	-	-
Law	-	539,067	-
Masshire	-	6,262,814	-
Public Facilities	-	5,997,685	-
Sustainability & Resilience	-	5,530,114	28,202,575
Innovation and Technology	-	1,375,751	-
Total general government	<u>7,813,131</u>	<u>19,705,431</u>	<u>28,328,885</u>
Public safety:			
Police	514,500	915,897	40,670
Fire	1,074,600	8,015,750	-
Inspectional Services	209,905	1,060,888	-
Communications	-	3,864,849	-
Total public safety	<u>1,799,005</u>	<u>13,857,384</u>	<u>40,670</u>
Health and human services:			
Health	-	26,840	-
Veteran's Services	-	-	115,830
Elder Affairs	385,000	3,089,159	789,529
Total health and human services	<u>385,000</u>	<u>3,115,999</u>	<u>905,359</u>
Public works	<u>3,608,839</u>	<u>75,963,160</u>	<u>3,039,353</u>
Education	<u>3,808,538</u>	<u>720,296,287</u>	<u>3,495,389</u>
Community development	<u>4,495,000</u>	<u>22,697,892</u>	<u>51,473,208</u>
Culture and recreation:			
Auditorium	150,000	884,674	-
DCU Center	263,000	39,809,466	-
Hope Cemetery	290,000	1,076,107	1,206,462
+ Library	305,000	18,617,804	-
Parks	5,327,777	2,338,555	82,725,462
Polar Park	21,626,204	115,854,209	-
Total culture and recreation	<u>27,961,981</u>	<u>178,580,815</u>	<u>83,931,924</u>
Total governmental activities capital assets	<u>\$ 49,871,494</u>	<u>1,034,216,968</u>	<u>171,214,788</u>

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
29,459	-	-	-	7,968,900
-	32,720	-	-	32,720
-	-	-	-	539,067
-	-	-	-	6,262,814
-	26,422,758	-	-	32,420,443
-	26,644	-	-	33,759,333
30,955	2,146,141	-	-	3,552,847
60,414	28,628,263	-	-	84,536,124
786,856	1,224,043	-	1,099,761	4,581,727
8,286,491	927,299	263,876	1,894,013	20,462,029
42,829	-	-	-	1,313,622
67,520	6,527,655	-	-	10,460,024
9,183,696	8,678,997	263,876	2,993,774	36,817,402
-	39,247	-	-	66,087
-	37,005	-	-	152,835
-	59,022	-	-	4,322,710
-	135,274	-	-	4,541,632
4,713,636	1,680,027	175,236,907	-	264,241,922
17,570,994	9,942,116	-	35,168	755,148,492
-	94,661	43,721	-	78,804,482
-	-	-	-	1,034,674
51,444	1,400,344	-	13,500	41,537,754
62,642	-	543,211	-	3,178,422
-	265,429	-	-	19,188,233
1,757,717	156,171	1,772,308	5,890,354	99,968,344
-	-	-	-	137,480,413
1,871,803	1,821,944	2,315,519	5,903,854	302,387,840
33,400,543	50,981,282	177,860,023	8,932,796	1,526,477,894

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, 2025

Function and activity	Governmental activities capital assets July 1, 2024	Additions	Deductions	Governmental activities capital assets June 30, 2025
General government:				
Manager	\$ 7,985,636	-	16,736	7,968,900
Elections	66,877	-	34,157	32,720
Law	-	567,439	28,372	539,067
Masshire	6,658,094	-	395,280	6,262,814
Public Facilities	35,037,068	110,974	2,727,599	32,420,443
Sustainability & Resilience	36,030,155	296,899	2,567,721	33,759,333
Innovation & Technology	4,015,124	321,027	783,304	3,552,847
Total general government	89,792,954	1,296,339	6,553,169	84,536,124
Public safety:				
Police	4,415,976	1,354,286	1,188,535	4,581,727
Fire	20,635,525	1,839,559	2,013,055	20,462,029
Inspectional Services	1,440,793	-	127,171	1,313,622
Communications	8,286,273	3,399,650	1,225,899	10,460,024
Total public safety	34,778,567	6,593,495	4,554,660	36,817,402
Health and human services:				
Health	94,807	-	28,720	66,087
Veteran's Services	172,674	-	19,839	152,835
Elder Affairs	4,547,343	-	224,633	4,322,710
Total health and human svc	4,814,824	-	273,192	4,541,632
Public works	269,575,246	18,573,365	23,906,689	264,241,922
Education	736,900,226	348,286,869	330,038,603	755,148,492
Community development	84,200,325	153,495	5,549,338	78,804,482
Culture and recreation:				
Library	20,131,301	89,628	1,032,696	19,188,233
Auditorium	748,427	374,679	88,432	1,034,674
DCU Center	42,377,836	2,929,195	3,769,277	41,537,754
Hope Cemetery	3,389,963	-	211,541	3,178,422
Parks	87,832,959	24,586,337	12,450,952	99,968,344
Polar Park	142,014,531	-	4,534,118	137,480,413
Total culture and recreation	296,495,017	27,979,839	22,087,016	302,387,840
Total governmental activities capital assets	\$ 1,516,557,159	402,883,402	392,962,667	1,526,477,894

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Worcester's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends	165
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	175
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	184
These tables contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	187
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	190
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*)

	2016	2017 (2)	2018	2019	2020 (3)	2021 (4)	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets (1)	\$ 402,433	433,725	441,004	469,471	518,388	545,131	\$ 667,815	664,002	676,679	694,261
Restricted	56,244	61,567	65,793	70,836	62,968	72,424	74,153	93,586	83,945	100,415
Unrestricted	(693,216)	(1,184,168)	(1,247,332)	(1,325,449)	(1,502,876)	(1,554,474)	(1,636,908)	(1,612,504)	(1,519,253)	(1,527,532)
Total governmental activities net position	\$ (234,539)	(688,876)	(740,535)	(785,142)	(921,520)	(936,919)	(894,940)	(854,916)	(758,629)	(732,856)
Business-type activities:										
Net investment in capital assets (1)	\$ 90,920	84,896	86,281	85,721	76,803	71,513	80,770	58,793	49,438	44,336
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(12,985)	(18,103)	(19,802)	(19,329)	(22,492)	(24,877)	(38,060)	(15,008)	(6,949)	13,252
Total business-type net position	\$ 77,935	66,793	66,479	66,392	54,311	46,636	42,710	43,785	42,489	57,588
Primary government:										
Net investment in capital assets (1)	\$ 493,353	518,621	527,285	555,192	595,191	616,644	748,585	722,795	726,117	738,597
Restricted	56,244	61,567	65,793	70,836	62,968	72,424	74,153	93,586	83,945	100,415
Unrestricted	(706,201)	(1,202,271)	(1,267,134)	(1,344,778)	(1,525,368)	(1,579,351)	(1,674,968)	(1,627,512)	(1,526,202)	(1,514,280)
Total primary government net position	\$ (156,604)	(622,083)	(674,056)	(718,750)	(867,209)	(890,283)	(852,230)	(811,131)	(716,140)	(675,268)

(1) Net position and net investment in capital assets terminology per GASB #63 is being utilized.

(2) Net other postemployment benefits (OPEB) liability (and related) per GASB #75 is reported starting in fiscal year 2017.

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

(4) 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*)

	2016	2017 (2)	2018	2019	2020 (3)	2021 (4)	2022	2023	2024 (5)	2025
Expenses										
Governmental activities:										
General government	\$ 29,353	48,401	47,038	33,886	40,462	46,313	60,921	54,937	53,202	65,996
Public safety	156,918	277,546	171,039	190,526	227,154	177,062	196,585	194,284	183,212	177,953
Health and human services	19,262	22,680	14,270	15,177	15,877	25,088	15,902	19,758	10,457	12,095
Education	480,201	792,154	527,848	555,917	664,027	625,136	613,133	670,854	693,909	742,163
Public works	41,955	66,303	56,693	57,070	61,155	69,918	52,550	55,289	55,842	59,271
Culture and recreation	26,351	31,747	28,858	31,662	36,155	42,223	36,090	37,249	38,965	40,611
Community development	6,562	7,028	5,975	8,952	10,401	6,943	15,965	20,529	37,516	48,054
Interest on debt	20,883	20,074	21,672	21,660	20,253	20,293	20,173	23,401	26,010	26,603
Total governmental activities expenses	<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>	<u>1,076,301</u>	<u>1,099,113</u>	<u>1,172,746</u>
Business-type activities:										
Water	26,785	33,730	28,063	29,511	33,820	33,658	30,577	28,128	28,216	31,991
Sewer	42,018	48,533	47,932	51,185	52,119	53,430	52,391	52,480	54,351	54,197
Golf course (nonmajor)	1,386	1,452	1,392	1,564	1,651	1,618	1,753	1,740	1,778	1,783
Total business-type expenses	<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>	<u>82,348</u>	<u>84,345</u>	<u>87,971</u>
Total primary government expenses	<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>	<u>1,158,649</u>	<u>1,183,458</u>	<u>1,260,717</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 20,844	18,835	18,808	21,372	20,981	23,007	25,759	21,856	29,260	28,392
Public works	9,369	10,588	9,624	10,401	11,036	10,417	14,132	14,301	14,988	11,421
Other activities	8,579	8,709	7,523	12,139	11,665	7,977	16,615	14,183	16,568	12,363
Operating grants and contributions	363,557	387,555	393,634	409,107	452,784	478,498	481,191	553,666	577,941	628,527
Capital grants and contributions	29,007	34,946	24,198	34,627	53,126	55,153	77,263	47,065	67,967	13,328
Total governmental activities program revenues	<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>	<u>651,071</u>	<u>706,724</u>	<u>694,031</u>
Business-type activities:										
Charges for services:										
Water	29,278	30,250	29,588	29,927	28,915	29,747	28,798	29,900	35,446	31,873
Sewer	40,550	41,954	43,192	46,243	45,625	50,332	50,082	52,656	45,706	55,459
Golf course (nonmajor)	1,206	1,106	1,125	1,134	1,053	1,876	1,736	1,842	1,811	1,983
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	330	286	3,814	6,012	599	1	2	4	1,166	274
Total business-type activities program revenues	<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>	<u>84,402</u>	<u>84,129</u>	<u>89,589</u>
Total primary government program revenues	<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>	<u>735,473</u>	<u>790,853</u>	<u>783,620</u>

(continued)

Table 2 (continued)

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (1)

(Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2016	2017 (2)	2018	2019	2020 (3)	2021 (4)	2022	2023	2024 (5)	2025
Net (expense)/revenue										
Governmental activities	\$ (350,129)	(805,300)	(419,606)	(427,204)	(525,892)	(437,924)	(396,359)	(425,230)	(392,389)	(478,715)
Business-type activities	1,175	(10,119)	332	1,056	(11,398)	(6,750)	(4,103)	2,054	(216)	1,618
Total primary government net (expense)/ revenue	\$ (348,954)	(815,419)	(419,274)	(426,148)	(537,290)	(444,674)	(400,462)	(423,176)	(392,605)	(477,097)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 271,801	275,979	288,275	297,653	308,857	334,059	344,187	357,616	374,833	399,918
Motor vehicle excise taxes	15,554	16,281	15,702	16,551	16,509	16,929	16,928	16,416	19,585	19,321
Intergovernmental	39,096	40,732	42,286	43,796	44,942	44,931	46,470	48,960	49,992	52,290
Other	11,883	16,788	15,501	19,636	15,113	21,372	26,695	39,005	41,328	41,818
Transfers (net)	(510)	1,023	646	1,143	683	925	(177)	979	1,080	(13,482)
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Donations	103	160	225	507	244	123	92	121	124	174
Energy sales and rebates	-	-	5,312	3,311	3,166	4,186	4,143	2,157	1,734	4,448
Extraordinary item - transfer of airport debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities	337,927	350,963	367,947	382,597	389,514	422,525	438,338	465,254	488,676	504,487
Business-type activities										
Transfers (net)	510	(1,023)	(646)	(1,143)	(683)	(925)	177	(979)	(1,080)	13,482
Loss on airport disposal	-	-	-	-	-	-	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	-	-
Total business-type activities	510	(1,023)	(646)	(1,143)	(683)	(925)	177	(979)	(1,080)	13,482
Total primary government	\$ 338,437	349,940	367,301	381,454	388,831	421,600	438,515	464,275	487,596	517,969
Changes in Net Position										
Governmental activities	\$ (12,202)	(454,337)	(51,659)	(44,607)	(136,378)	(15,399)	41,979	40,024	96,287	25,772
Business-type activities	1,685	(11,142)	(314)	(87)	(12,081)	(7,675)	(3,926)	1,075	(1,296)	15,100
Total primary government	\$ (10,517)	(465,479)	(51,973)	(44,694)	(148,459)	(23,074)	38,053	41,099	94,991	40,872

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

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

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

(4) 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.

(5) In 2024 Masshire expenses were grouped with Community Development from Heath and Human Services.

(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	Total
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
2023	357,616	16,416	4,648	4,994	27	1,709	(178)	385,232
2024	374,834	19,585	4,997	5,163	34	1,683	8	406,304
2025	399,918	19,321	4,849	5,368	47	1,891	6	431,400

Table 4

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2016	2017	2018	2019	2020 (1)	2021	2022	2023	2024	2025
General fund:										
Restricted	\$ 8,896	11,753	15,009	17,430	-	-	-	-	-	-
Unassigned	34,652	40,383	42,377	47,971	53,226	70,242	82,472	90,895	98,335	90,383
Total general fund	<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>	<u>90,895</u>	<u>98,335</u>	<u>90,383</u>
All other governmental funds:										
Nonspendable	\$ 13,062	15,686	15,626	16,022	15,717	20,679	15,779	16,685	19,039	20,644
Restricted	37,378	38,880	35,955	55,318	47,894	54,120	71,333	91,687	98,464	97,606
Committed	38,925	37,788	44,116	45,801	46,696	56,173	71,203	73,730	79,580	65,278
Unassigned	(53,372)	(83,752)	(31,846)	(36,013)	(73,936)	(127,908)	(30,070)	(52,048)	(3,162)	(13,194)
Total all other governmental funds	<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>	<u>130,054</u>	<u>193,921</u>	<u>170,334</u>

(1) Restricted general fund for 2016-2019 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*)

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (2)	2025
REVENUES										
Property taxes	\$ 271,977	276,746	289,195	296,190	306,738	336,723	343,149	359,502	369,979	397,861
Motor vehicle excise taxes	15,346	16,027	16,139	16,631	15,689	17,103	16,774	17,722	17,681	18,730
Other taxes and in-lieu payments	7,303	7,596	8,336	8,492	7,953	11,921	11,203	11,624	12,301	12,392
Penalties and interest on taxes	2,530	2,315	2,049	2,329	2,260	2,827	2,872	3,214	2,952	3,220
Licenses and permits	6,388	6,713	6,943	6,736	7,443	7,063	8,674	8,580	10,941	10,239
Intergovernmental	392,272	407,424	396,952	426,783	470,460	481,014	559,861	585,260	631,247	617,284
Charges for services	28,418	25,746	26,097	33,144	31,926	30,025	42,560	36,443	37,932	35,699
Fines and forfeitures	2,584	2,406	2,501	2,388	1,900	1,817	1,924	2,658	3,304	3,230
Investment earnings (losses)	930	3,228	2,219	5,331	3,075	6,557	(187)	14,557	23,248	21,400
Donations	5,120	4,753	5,589	2,836	5,607	8,174	3,934	2,718	2,818	3,510
Contributions to permanent funds	103	160	225	507	244	123	93	122	124	174
Energy sales and rebates	-	-	5,312	3,311	3,166	4,186	4,143	2,157	4,123	4,449
Lease revenue	-	-	-	-	-	-	2,127	1,702	2,024	1,869
Miscellaneous	1,733	4,197	3,608	4,048	2,481	875	13,673	14,258	9,712	10,096
Total revenues	734,704	757,311	765,165	808,726	858,942	908,408	1,010,800	1,060,517	1,128,386	1,140,153
EXPENDITURES										
General government (1)	39,609	53,943	31,560	26,376	29,638	58,303	65,043	47,925	46,079	52,100
Public safety (1)	114,414	109,885	109,581	116,991	122,108	118,550	135,208	137,301	141,879	154,762
Health and human services	15,810	18,355	12,160	11,785	12,720	14,175	16,498	18,607	8,520	8,827
Education (1)	337,664	351,885	357,957	385,801	435,541	430,457	493,991	552,995	575,246	532,564
Public works	62,248	49,887	44,103	69,871	102,470	146,540	61,842	50,004	55,590	55,635
Culture and recreation	19,826	19,364	29,924	24,088	29,767	30,421	26,592	26,309	40,825	42,344
Fringe benefits	105,732	109,888	105,265	113,188	141,355	132,494	138,725	145,351	159,125	168,178
Community development (1)	7,153	7,273	5,917	8,887	10,336	6,893	15,812	18,795	39,704	42,858
State & regional charges	31,166	31,102	31,704	33,275	34,531	35,616	38,372	43,194	48,121	52,102
Debt service:										
Principal	46,974	45,917	45,743	48,459	47,387	49,110	48,656	57,564	60,780	65,547
Interest	23,583	22,677	24,196	24,819	25,285	24,468	27,528	28,548	29,479	31,889
Refunding bonds issuance costs	-	-	-	-	-	580	-	-	-	-
Total expenditures	804,179	820,176	798,110	863,540	991,138	1,047,607	1,068,267	1,126,593	1,205,348	1,206,806
Excess of revenues										
(under) expenditures	(69,475)	(62,865)	(32,945)	(54,814)	(132,196)	(139,199)	(57,467)	(66,076)	(76,962)	(66,653)

(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*)

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (2)	2025
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 41,360	22,520	28,485	28,675	26,069	30,246	28,941	43,339	34,129	43,002
Transfers (out)	(41,870)	(21,497)	(27,839)	(27,532)	(25,386)	(29,321)	(29,118)	(42,360)	(33,048)	(56,484)
Premium on issuance of bonds and notes	3,988	4,362	6,778	3,186	5,363	12,175	13,259	6,043	10,518	2,907
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Issuance of bonds and notes	44,280	38,677	84,369	70,718	63,173	108,479	177,245	69,285	126,740	43,025
Premium from issuance of refunding bonds	2,314	612	1,549	-	-	3,869	-	-	-	-
Issuance of refunding bonds	9,439	8,892	23,233	-	-	89,715	-	-	-	-
Payment to refunded bond escrow agent	(9,439)	(9,504)	(24,781)	-	-	(89,779)	-	-	-	-
Deferred charge - debt refunding	-	-	-	-	-	(3,225)	-	-	-	-
Lease financing	7,671	-	1,650	5,059	6,045	749	4,551	-	9,931	2,664
Total other financing sources (uses), net	<u>57,743</u>	<u>44,062</u>	<u>93,444</u>	<u>80,106</u>	<u>75,264</u>	<u>122,908</u>	<u>194,878</u>	<u>76,307</u>	<u>148,270</u>	<u>35,114</u>
Net change in fund balances	\$ <u>(11,732)</u>	<u>(18,803)</u>	<u>60,499</u>	<u>25,292</u>	<u>(56,932)</u>	<u>(16,291)</u>	<u>137,411</u>	<u>10,231</u>	<u>71,308</u>	<u>(31,539)</u>
Debt service as a percentage of noncapital expenditures	10.1%	9.6%	9.6%	9.6%	9.0%	9.1%	8.6%	8.9%	8.7%	8.8%

(1) In fiscal year 2016, 2018, 2019, 2020, 2021, 2022, 2024 and 2025 expenditures for general government, public safety, education and community development includes acquisition of capital assets with capital leases totaling \$7,671, \$1,650, \$5,059, \$6,045, \$749, \$4,551, \$9,931, and \$2,664 respectively.

(2) Beginning in FY 2024, Masshire expenses are grouped with Community Development. Prior to FY 2024 it was grouped with Heath and Human Services.

(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	Special Assessments	Total
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
2023	359,502	17,722	4,648	4,994	27	1,709	(178)	424	388,848
2024	369,979	17,681	4,997	5,163	34	1,683	8	416	399,961
2025	397,861	18,730	4,849	5,368	47	1,891	6	231	428,983

CITY OF WORCESTER, MASSACHUSETTS

Graph 1

General Fund Expenditures
Modified Accrual Basis of Accounting
Year Ended June 30, 2025

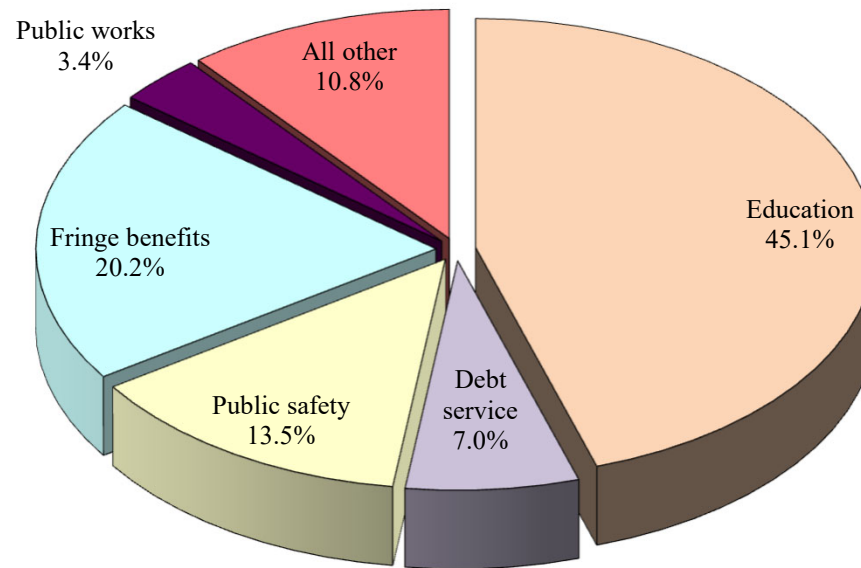


Table 7

CITY OF WORCESTER, MASSACHUSETTS

General Fund Expenditures

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government (2)	\$	18,396	19,374	22,634	21,508	24,116	25,443	28,956	29,585	32,802	36,761
Public safety (2)		95,321	93,297	93,491	97,693	103,936	99,632	115,349	113,623	110,106	121,027
Health and human services (1)		3,196	3,652	3,599	3,893	3,939	3,819	4,286	5,462	4,409	4,083
Education (2)		259,527	260,466	279,177	287,372	303,528	300,749	315,926	340,496	380,796	402,909
Public works		18,673	22,755	22,442	22,180	20,441	21,800	28,396	23,287	24,599	30,639
Culture and recreation		9,714	10,445	11,861	12,001	11,860	12,193	13,268	14,156	13,872	16,125
Fringe benefits		105,732	109,888	105,265	113,188	141,355	132,494	138,725	145,351	159,125	168,178
State and regional charges		31,166	31,102	31,704	33,275	34,532	35,617	38,372	43,194	48,121	52,102
Debt service		52,672	50,749	50,968	52,680	51,895	51,451	50,424	57,329	58,686	62,393
Totals	\$	<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>	<u>772,483</u>	<u>832,516</u>	<u>894,217</u>

(1) Starting in fiscal 2016, the Veteran's Department was moved from general government to health and human services.

(2) In fiscal year 2016, 2018, 2019, 2020, 2021, 2022, 2024, and 2025 expenditures for general government, public safety, and education includes acquisition of capital assets with capital leases totaling \$7,671, \$1,650, \$5,059, \$6,045, \$749, \$4,551, \$3,685, and \$2,664, respectively.

General Fund Revenues
Modified Accrual Basis of Accounting
Year Ended June 30, 2025

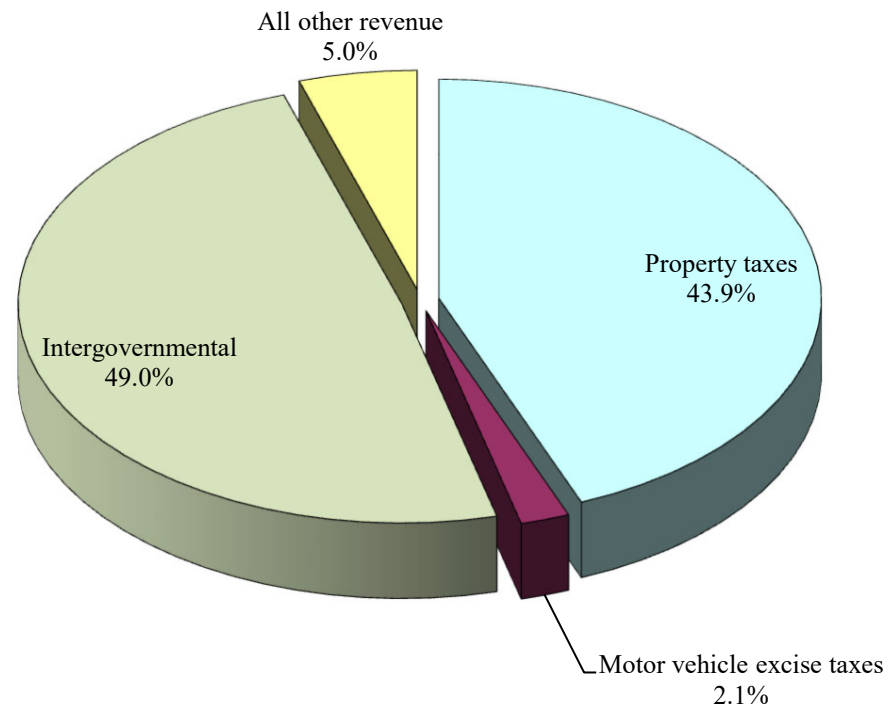


Table 8

CITY OF WORCESTER, MASSACHUSETTS

General Fund Revenues

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

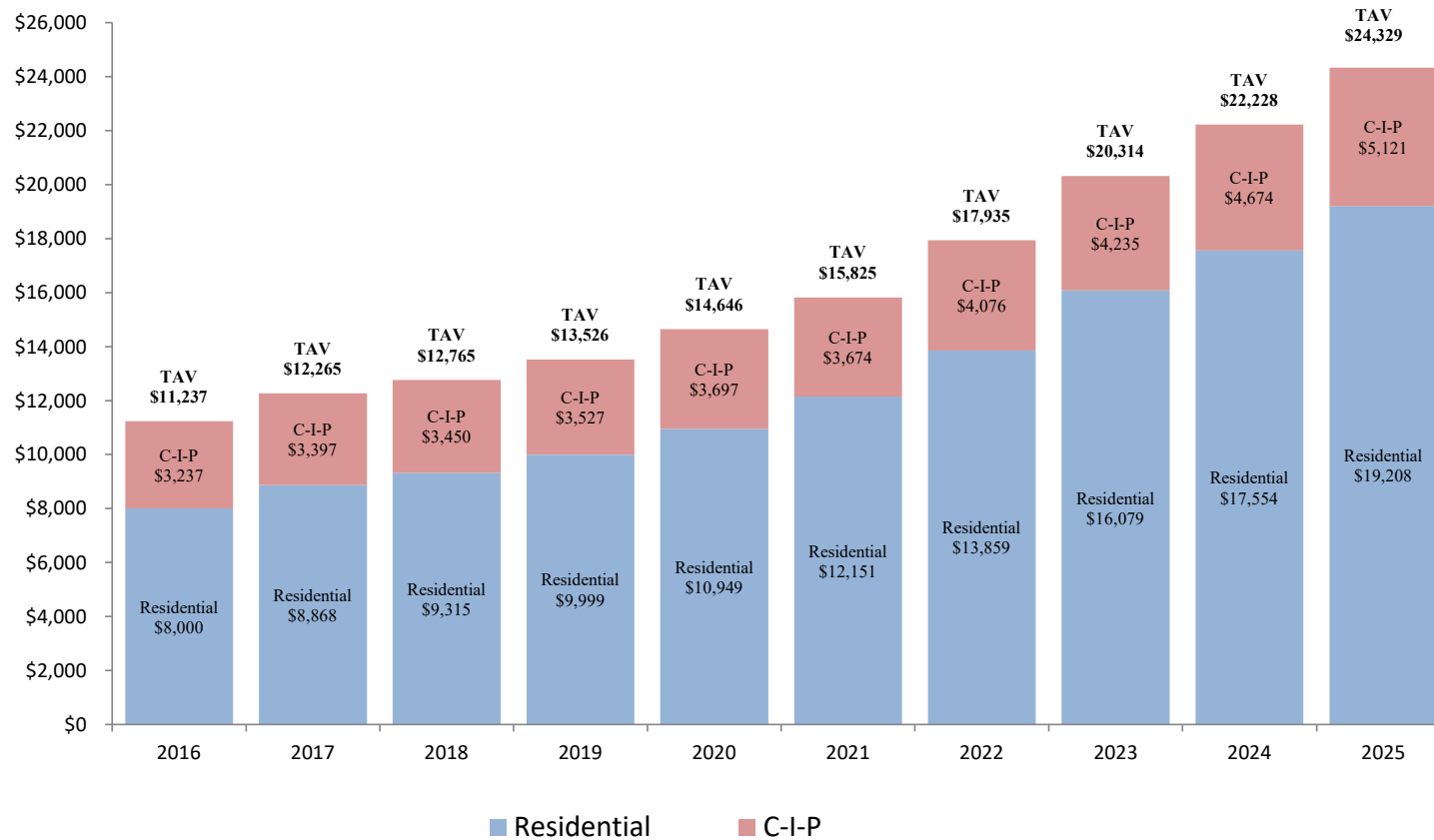
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Property taxes	\$ 271,977	276,746	289,195	296,190	306,738	336,723	343,149	359,502	369,979	397,861
Motor vehicle excise taxes	15,346	16,027	16,139	16,631	15,689	17,104	16,774	17,722	17,681	18,730
Other taxes and in-lieu payments	5,083	5,270	5,818	6,112	6,188	5,211	7,633	7,026	7,393	7,455
Penalties and interest on taxes	2,530	2,316	2,049	2,329	2,260	2,827	2,872	3,214	2,952	3,220
Licenses and permits	6,388	6,713	6,944	6,736	7,443	6,396	8,674	8,581	10,941	10,239
Intergovernmental	291,662	297,397	301,850	312,312	335,006	333,646	353,792	377,383	423,266	444,024
Charges for services	5,800	5,866	5,932	7,277	6,692	8,292	11,009	8,805	7,778	6,805
Fines and forfeitures	2,584	2,406	2,501	2,388	1,900	1,816	1,924	2,658	3,304	3,230
Investment earnings	1,005	1,097	1,570	4,046	2,516	653	365	4,115	10,530	9,620
Energy sales and rebates	-	-	1,718	1,891	2,121	2,075	1,652	2,157	1,734	1,579
Miscellaneous	1,368	2,998	2,699	3,017	2,293	120	10,379	8,901	798	2,960
Totals	\$ <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>	<u>800,064</u>	<u>856,356</u>	<u>905,723</u>

CITY OF WORCESTER, MASSACHUSETTS

Graph 3

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						
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
2023	16,078,720	3,192,982	1,042,065	20,313,767	17.87	18,737,986	108.41	6,401,926	26,715,693	23.96
2024	17,554,368	3,558,992	1,115,340	22,228,700	17.18	18,737,986	118.63	7,243,767	29,472,467	24.58
2025	19,207,534	3,805,485	1,315,734	24,328,753	16.44	24,013,296	101.31	7,223,698	31,552,451	22.89

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

Table 10

CITY OF WORCESTER, MASSACHUSETTS

Direct Property Tax Rates (1) (2)

Last Ten Fiscal Years

Fiscal Year		Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
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
2023		14.34	31.26	31.26	17.87
2024		13.75	30.04	30.04	17.18
2025		13.19	28.61	28.61	16.44

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*)

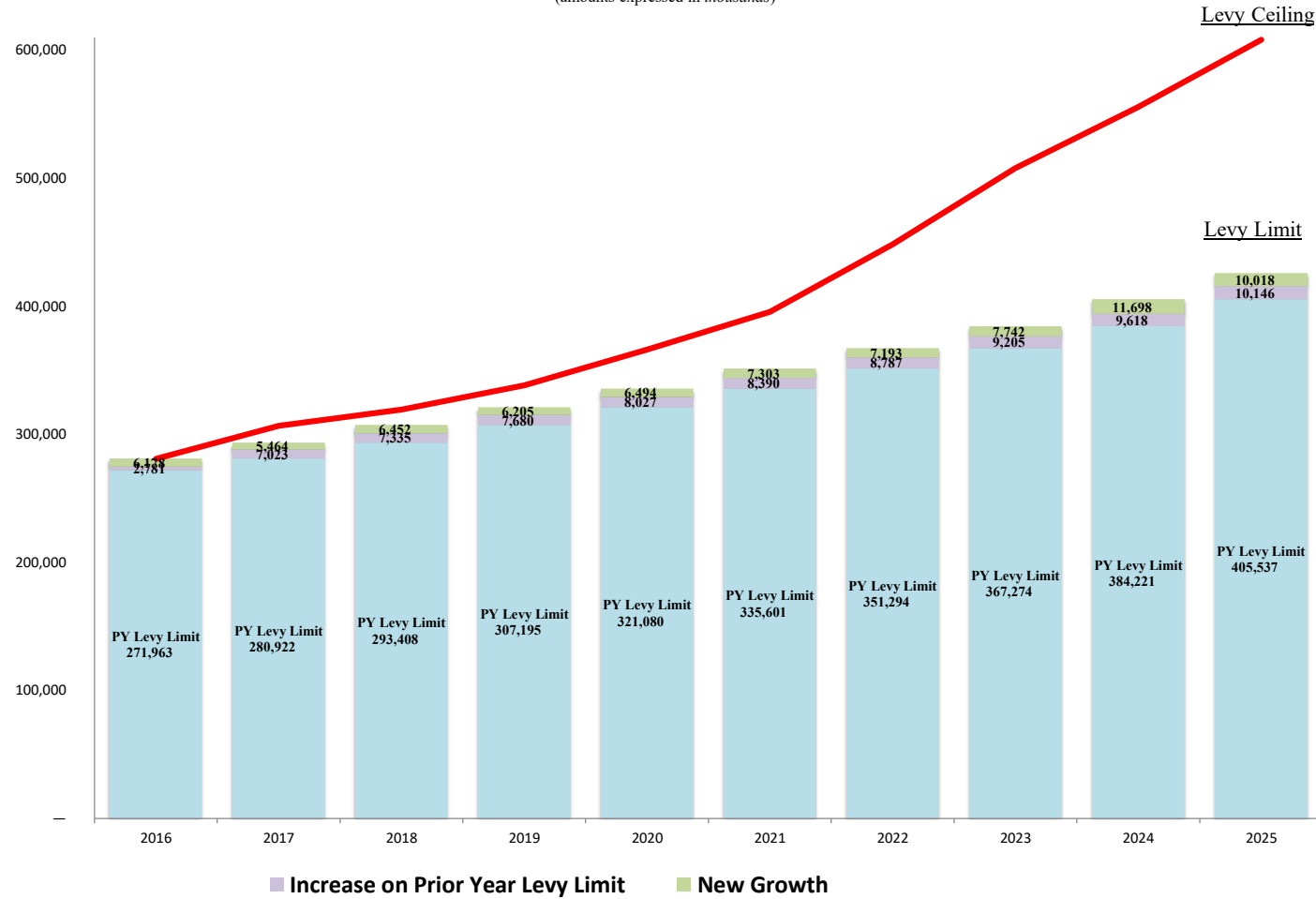
Fiscal Year	Tax levy net of exemptions and abatements	Collected within the Fiscal year of the levy		Net collections in subsequent years	Total collections to date	
		Amount	Percentage of net levy		Amount	Percentage of levy
2016	\$ 271,192	267,287	98.56%	3,876	271,163	99.99%
2017	278,454	273,712	98.30	4,170	277,882	99.79
2018	289,934	284,772	98.22	5,162	289,934	100.00
2019	300,119	294,321	98.07	3,143	297,464	99.12
2020	311,969	304,593	97.64	4,630	309,223	99.12
2021	326,731	323,114	98.89	3,581	326,695	99.99
2022	345,389	339,100	98.18	3,793	342,893	99.28
2023	359,988	354,291	98.42	5,154	359,445	99.85
2024	380,226	370,335	97.40	6,217	376,552	99.03
2025	393,566	387,995	98.58	-	387,995	98.58

CITY OF WORCESTER, MASSACHUSETTS

Graph 4

Increase in the Levy Limit

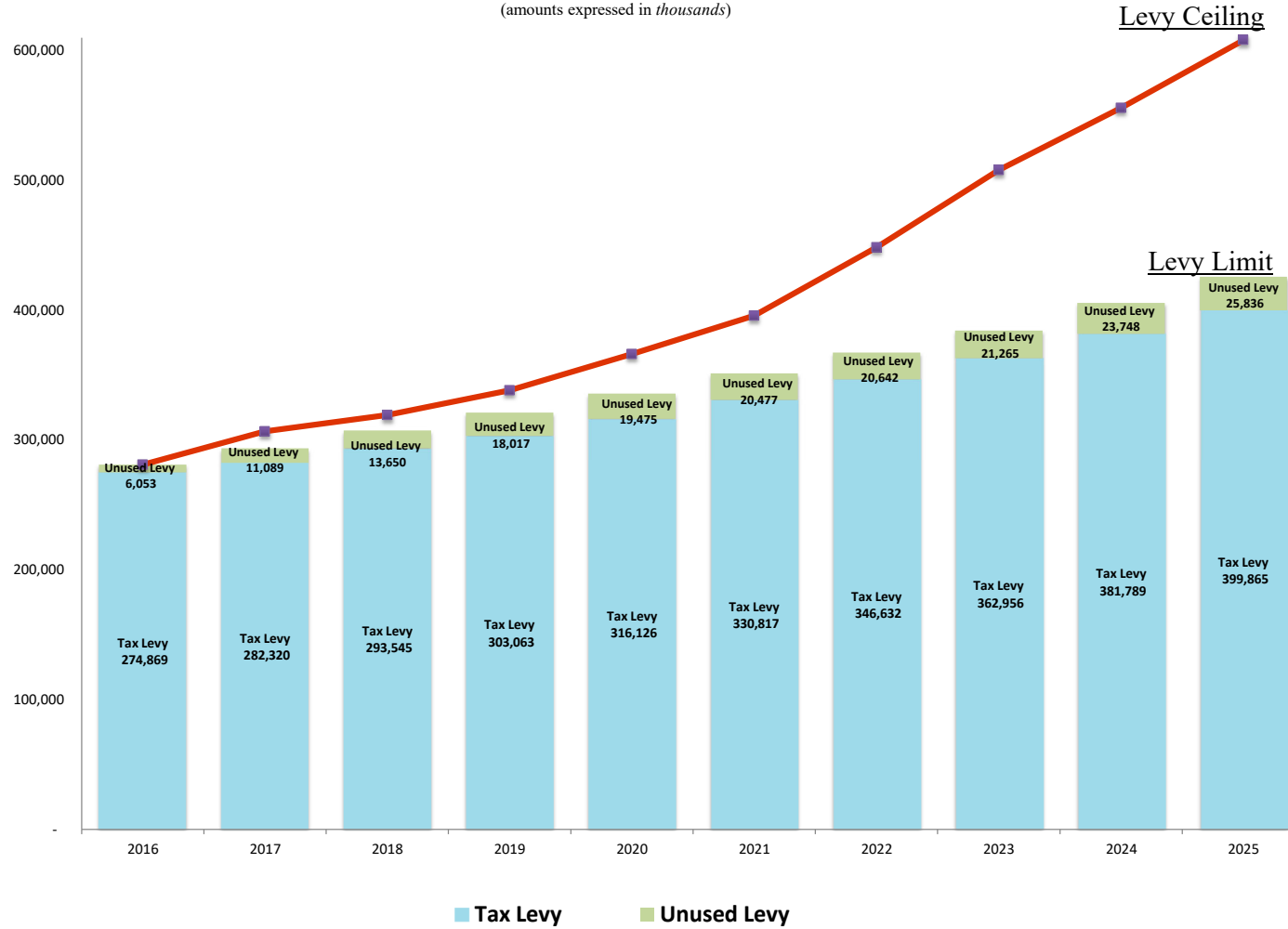
Last Ten Fiscal Years
(amounts expressed in *thousands*)



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, 2025

(amounts expressed in *thousands*)

Taxpayer	Type of business	2025				2016			
		Assessed valuation	Rank	Fiscal 2025 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2016 tax bill	Percentage of tax levy
National Grid	Electric utility	\$ 582,672	1	16,670	4.2 %	\$ 344,007	1	11,689	4.3 %
NSTAR Gas Co.	Gas utility	358,936	2	10,268	2.6	245,770	2	8,351	3.0
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	144,536	3	4,135	1.1	148,687	3	5,052	1.8
Worcester TC LLC (Abbvie)	Biotechnology park	82,800	4	2,369	0.6	44,455	9	1,511	0.5
New England Power Company	Electric utility	77,591	5	2,203	0.5	69,558	4	2,364	0.9
Agree LP (Lincoln Plaza)	Shopping Plaza	67,957	6	1,944	0.5	61,194	5	2,079	0.8
Verizon New England	Communications	67,035	7	1,916	0.5	48,556	8	1,650	0.6
Hanover Insurance Group	Insurance	63,411	8	1,814	0.5	56,277	7	1,912	0.7
Front Street Associates LLC	Real Estate	56,856	9	1,627	0.4	N/A	N/A	N/A	N/A
MC Roseland Worcester LLC	Real Estate	88,330	10	1,301	0.3	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (City Square)	Office/Shopping Mall	N/A	N/A	N/A	N/A	60,670	6	2,062	0.8
St. Gobain Abrasives Inc.	Abrasives manufacturer	N/A	N/A	N/A	N/A	44,435	10	1,510	0.5
Totals		\$ 1,590,124		\$ 44,247	11.2 %	\$ 1,123,609		\$ 38,180	13.9 %

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 (1)	Per Capita (2)
	General	Deferred	Direct	Lease	General	Deferred	Direct			
	Obligation	Bond			Obligation	Bond				
	Bonds	Premiums			Borrowings	Liabilities				
2016	474,846	14,599	12,649	-	139,835	26	2,882	644,837	14.32	3,505
2017	467,273	14,569	11,145	-	144,442	484	5,309	643,222	13.88	3,492
2018	505,527	17,778	10,648	-	145,434	1,756	5,038	691,244	14.24	3,742
2019	527,871	17,648	13,529	-	156,062	2,795	4,763	722,668	14.41	3,883
2020	543,745	18,985	16,399	-	168,639	4,189	4,479	756,436	13.14	4,077
2021	603,142	25,596	13,974	25,176	181,770	6,005	4,190	859,853	14.93	4,163
2022	731,828	33,604	13,987	24,191	187,315	6,607	3,892	1,001,424	16.80	4,863
2023	744,847	33,177	9,196	42,960	189,682	6,704	3,584	1,030,150	14.94	5,017
2024	810,950	38,254	6,165	49,082	198,965	7,302	3,271	1,113,989	15.97	5,146
2025	788,427	36,328	4,652	48,599	205,244	7,238	3,026	1,093,514	13.34	5,175

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

(1) See table 16

(2) Population data from U.S. Census Bureau (see table 16)

Table 14

CITY OF WORCESTER, MASSACHUSETTS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

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

Fiscal year	General Obligation Bonds	Deferred Bond Premiums	Total Bonds & Premiums	Percentage of Assessed Value (1)	Total Per capita (2)
2016	\$ 614,681	14,625	629,306	5.60%	\$ 3,420
2017	611,715	15,053	626,768	5.11	3,403
2018	650,961	19,534	670,495	5.25	3,622
2019	683,933	20,443	704,376	5.21	3,784
2020	712,384	23,174	735,558	5.02	3,965
2021	784,912	31,601	816,513	5.16	3,953
2022	919,143	40,211	959,354	5.35	4,659
2023	934,529	39,881	974,410	4.80	4,746
2024	1,009,915	45,556	1,055,471	4.75	4,864
2025	993,671	43,566	1,037,237	4.26	4,703

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

(1) See Table of Assessed Value and Estimated Value of Taxable Property

(2) 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*)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Limit	\$ 580,797	611,883	611,883	666,823	666,823	771,306	771,306	936,899	936,899	1,200,665
Total net debt applicable to limit *	<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>	<u>603,969</u>	<u>569,288</u>	<u>585,706</u>
Legal debt margin	\$ <u>106,971</u>	<u>194,304</u>	<u>150,237</u>	<u>195,048</u>	<u>171,654</u>	<u>260,107</u>	<u>194,305</u>	<u>332,930</u>	<u>367,611</u>	<u>614,959</u>
Total net debt applicable to the limit as a percentage of debt limit	81.58%	68.24%	75.45%	70.75%	74.26%	66.28%	74.81%	64.46%	60.76%	48.78%

Legal Debt Margin Calculation for Fiscal Year 2025

Equalized valuation - real estate and personal property (January 1, 2024)	\$ 24,013,296	
Debt limit - 5% of equalized valuation		1,200,665
Total bonded debt (including authorized and unissued of \$585,038)	\$ 1,578,709	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(691,978)	
Less bonded debt authorized but not yet issued which is outside the debt limit	<u>(301,025)</u>	<u>585,706</u>
Legal debt margin		\$ <u><u>614,959</u></u>

* The City may authorize certain debt prescribed by statute and referred to as inside debt up to 5% of the equalized valuation.

Table 16

CITY OF WORCESTER, MASSACHUSETTS

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population		Per Capita Income		Personal Income (amounts expressed in thousands) (7)	Public School Enrollment (8)	City's Unemployment Rate (9)
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	206,518	(2)	27,884	(5)	5,758,548	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
2023	205,319	(3)	33,592	(6)	6,897,076	24,318	3.4
2024	207,621	(3)	33,592	(6)	6,974,405	24,350	4.8
2025	211,289	(3)	38,792	(6)	8,196,323	24,778	5.2

(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 - 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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 *</u>	<u>2025</u>
General government	195	193	197	201	202	200	198	219	236	262
Public safety										
Police										
Officers	441	461	447	461	449	459	441	451	455	453
Civilians	50	51	50	51	47	47	49	49	49	50
Fire										
Officers	391	404	403	409	410	392	401	427	428	434
Civilians	10	10	10	10	12	9	12	12	12	12
Other public safety	113	111	103	108	114	107	106	119	123	131
Health and human services	63	67	62	72	73	73	72	81	51	51
Education	3,637	3,667	3,727	3,863	3,988	4,007	4,100	4,253	4,694	4,623
Public works	169	173	172	164	167	159	152	166	156	169
Culture and recreation	134	141	140	142	139	133	143	141	141	143
Community development	-	-	-	-	-	-	-	-	29	28
Water	102	104	108	99	98	94	88	95	86	104
Sewer	47	52	52	54	54	54	52	51	52	59
Golf course (nonmajor)	2	2	2	2	2	2	2	2	3	3
Totals	<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>	<u>6,066</u>	<u>6,515</u>	<u>6,522</u>

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

* Job training was changed to community development from health and human services

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Employment and Wages

Last Ten Calendar Years

Avg. Monthly Employment by Industry	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Construction	3,188	3,195	3,462	3,580	3,291	3,039	3,392	3,501	3,669	3,731
Manufacturing	5,820	5,720	5,541	5,396	5,393	4,812	4,587	4,757	4,817	4,728
Trade, transportation and utilities	12,588	12,685	12,534	12,066	11,799	11,068	12,047	12,152	10,780	10,696
Information	1,383	1,386	1,459	1,514	1,376	1,256	1,271	1,260	1,266	1,219
Financial activities	6,486	6,196	6,077	6,072	6,042	5,855	5,707	5,539	5,391	5,312
Professional and business services	9,178	10,110	10,546	11,291	11,639	9,875	11,609	13,374	13,563	12,563
Education and health services	48,197	48,770	49,554	50,013	51,309	49,287	49,339	50,143	51,715	52,784
Leisure and hospitality	7,559	7,814	8,041	8,254	8,305	6,066	7,158	8,160	8,236	8,074
Other services	2,987	3,022	2,972	3,043	3,178	2,498	2,619	2,783	2,832	2,907
Public administration	3,348	3,456	3,549	3,599	3,687	3,907	3,801	3,852	3,944	4,004
Total all industries	<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>	<u>105,521</u>	<u>106,213</u>	<u>106,018</u>
No. of establishments	6,294	6,645	6,818	7,195	7,160	7,393	7,733	7,964	7,878	7,488
Total annual wages (in 000's)	\$5,488,056	\$5,623,839	\$5,770,049	\$5,922,539	\$6,158,341	\$6,237,776	\$6,656,151	\$7,268,672	\$7,608,381	\$8,034,024
Average weekly wages	\$1,048	\$1,057	\$1,070	\$1,086	\$1,117	\$1,228	\$1,261	\$1,325	\$1,378	\$1,457

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

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Calendar Years

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Incidents	124,578	129,933	131,440	137,115	133,921	120,839	128,116	119,825	121,753	135,062
Fire										
Incidents	31,747	33,115	32,809	33,119	31,459	17,837	29,394	32,678	33,300	33,384
EMS incidents	20,401	21,707	21,416	19,788	19,054	9,317	17,982	21,304	22,014	21,845
Inspectional services										
Building permits	3,456	3,488	3,408	3,903	4,418	7,278	4,493	4,355	4,934	5,059
Certificate of inspections	978	1,051	1,202	1,026	N/A	2,592	523	819	790	618
Highways and streets (source (DPW))										
Streets and resurfacing	12	19	19	20	20	19	19	19	N/A	N/A
Potholes repaired	18,095	27,706	12,154	13,117	12,660	6,917	6,935	10,640	11,406	N/A
Clerks										
Business license transactions	799	805	837	908	937	813	1,120	886	952	916
Marriage licenses	1,077	1,089	1,043	922	965	523	691	698	797	N/A
Dog licenses	6,795	6,607	6,449	6,544	7,166	7,019	8,339	8,306	7,939	7,494
Libraries										
Total circulation, print and nonprint	573,100	552,975	529,658	880,853	844,655	673,099	361,534	659,155	787,847	820,744
Administration										
Number of collective bargaining units	22	22	22	22	22	22	22	22	22	22

Source: Various government departments, open data portal from department of technology, and MBLC library statistics.

N/A Not Available

Table 20

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function

June 30, 2025

Function

Education:

Schools	46
---------	----

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
------------------------------	-------

Municipal cemeteries	1
----------------------	---

Lakes	4
-------	---

DCU Center

Arena seating capacities	
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Center stage	14,595
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End stage	14,524
-----------	--------

Basketball	13,270
------------	--------

Hockey with open curtain	12,167
--------------------------	--------

Hockey with closed curtain	5,464
----------------------------	-------

Ice show	12,194
----------	--------

Convention

Exhibition halls	2
------------------	---

Ballrooms	2
-----------	---

Lounges	2
---------	---

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

Public works

Streets:

Streets (miles)	437
-----------------	-----

Sidewalks (miles)	489
-------------------	-----

Streetlights	13,579
--------------	--------

Water:

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

Fire hydrants	5,892
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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
-------------------------	----

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
------------------	-----

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. Each statement uses a prescribed basis of accounting and measurement focus.

Budgetary Basis of Accounting – The General Fund in the City’s accounting system is accounted for using the Budgetary Basis of accounting which is essentially a modified cash basis for revenue and encumbrance system for expenses, the purpose of which is to match the expenditure with the budget period as required by state law. Revenue is reported as collected with accruals for some reimbursable state and federal funds. Expenses are matched against the budget year through warrant payables and a reserve for encumbrances. The report on the General Fund using the Budgetary Basis, a required supplementary report by GASB, is reported in the ACFR on pages 117 through 124.

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

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.

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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 agency funds for the resources derived from student activity accounts. Fiduciary funds are not included in government-wide statements because they are not activities of the government. However, a liability owed by the government for its share of the net pension liability and the net OPEB liability is reported in the Government-Wide Financial Statements. The Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Except for the agency fund, revenues are recorded when earned and expenses are recognized when incurred. Agency funds do not present the results of operations or have a measurement focus.

Fiscal Year – An entity’s financial performance is generally measured over a twelve month period or fiscal year. The City’s fiscal year begins July 1 and ends on June 30th. The financial statements reflect the results of operations over this twelve month period and report the assets and liabilities as of June 30th based on the accounting method and measurement focus used except the fiduciary funds financial statement of the Worcester Retirement System which is reported on a calendar year.

Free Cash – Free Cash is the amount of undesignated fund balance of the City’s General Fund, on a budgetary basis, that the Commonwealth of Massachusetts allows to be appropriated in the following fiscal year. The General Fund includes both the undesignated balance and the reserves for the Bond Rating Stabilization and Emergency Stabilization Funds. The undesignated amount is adjusted by the Commonwealth before it is certified as Free Cash for appropriation. Adjustments include grant receivables received after September 30th, the reserve for abatements and exemptions (i.e. overlay), and unreconciled tax receivables. Free cash also includes the retained earnings in the Water, Sewer and Golf funds that are also available for appropriation for those enterprise funds. Amounts not appropriated remain in the accounts (e.g. undesignated fund balance, retained earnings) and become part of the following year’s Free Cash calculation.

Fund Balance – Fund balance is the term used in fund accounting to describe the unexpended balance remaining of a particular fund at a point in time. Fund accounting is the accounting system to track resources and their uses that are restricted by law or donors, such as granting agencies. Each fund is a self-balancing set of accounts with assets, liabilities, revenues and expenses. Assets less liabilities results in the fund balance. The statement of revenues and expenses reflects the change in the fund balance for the period. The fund balance may be available in future periods or may need to be returned to the source as in the case of used grant funds that have expired. GASB 54 requires that fund balances reported on the Government Funds Balance Sheet (Exhibit 3 of the ACFR) be classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund). Generally the principal balance and any limitations on the income balance of the trusts are classified as nonspendable.

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

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of the fund balances in the Special Revenue Fund for grants and revolving accounts are restricted funds. The positive fund balances for Capital Project Funds are also classified as restricted.

Committed — represents amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing City Council is the highest level of decision-making authority for the City that can, by adoption of an order prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation. The fund balances of the Receipts Reserved for Appropriation in the Special Revenue Fund and the fund balances in the Debt Service Fund are classified as committed.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. The governing City Council has the authority to assign fund balance (by adoption of an order) as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Currently no fund accounts are classified as assigned.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund. In the General Fund the reserves for the Bond Rating Stabilization and Emergency Funds are included as unassigned as the amounts are not restricted to a specific purpose.

Fund Financial Statements - Under GASB 34 this is the second series of statements known as the Basic Financial Statements that focus on information about the government's major governmental and enterprise funds. It also includes statements about the government's fiduciary funds. It includes Governmental Funds, Proprietary Funds and Fiduciary Funds as shown in ACFR Exhibits 3 through 11.

General Fund – From the *Uniform Massachusetts Accounting System* manual: the General Fund is the largest and single most important fund of a local government. Most of a local government's revenue resources are accounted for in it and substantially all of the day-to-day departmental operating expenditures are financed and accounted for in it. The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund. Generally, all funds received by a governmental entity belong to the General Fund under G.L. c. 44, § 53, unless otherwise directed by Massachusetts General Laws or by Special Acts of the Massachusetts Legislature. The General Fund is considered an unrestricted operating fund. Grants must be separated as well as funds received in which the entity is acting as a trustee or agent. It is improper for a governmental entity to reserve General Fund monies in any other fund without proper authority granted by legislation or by the Director of Accounts. The principal revenue resources of the General Fund include real estate and personal property taxes (assessments for districts), motor vehicle and other excises, departmental receipts and state aid. With the exception of the portion of the annual budget which is funded through Enterprise and certain Special Revenue Funds, substantially all of the annual budget and recurring departmental expenditures are accounted for in the General Fund. The General Fund will also have transactions or transfers with other funds. The City has a target of maintaining a General Fund balance reserve that is 10.00% of budgeted revenue, except in response to a severe crisis, economic or otherwise.

General obligation bonds – Debt backed by the full faith and credit pledge of the City and all of its available resources to repay holders of the bonds.

Current issue – bond proceeds are used to finance projects in the capital project fund.

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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 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 on pages 142 - 143.

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.

GASB Statement No. 68. – Effective for years beginning after June 15, 2014 established new accounting and financial reporting standards for pensions.

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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 and 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.

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

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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 school year are included in payroll warrants payable. Payroll warrants payable at year-end are grouped with accounts payable.

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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.