

CITY OF WORCESTER

Massachusetts



City of Worcester's DCU Center
Convention Center and Arena

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2015**

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by:

The Office of the City Auditor
City of Worcester, Massachusetts

Robert V. Stearns, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS
AUDITING DEPARTMENT

Robert V. Stearns, CPA
City Auditor

December 10, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the City of Worcester, Massachusetts (the City) for the fiscal year ended June 30, 2015 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, 2015 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 unqualified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is presented as the first component of the financial section of this report.

Pursuant to the Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, 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 Single Audit Act requires that an internal control review and a compliance audit be performed in accordance with the Federal Office of Management and Budget's Circular A-133. The United States Department of Housing and Urban Development was assigned as the cognizant audit agency. The requirements of the Single Audit Act 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 incorporated as a Town on June 14, 1722 and as a City on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the second largest city in New England with a population of 181,045, according to the 2010 federal census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City. Additionally, the City is allotted a portion of the hotel, meals and sales taxes collected within its jurisdiction by the state.

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

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

The Mayor is the councilor who receives the highest number of votes for mayor provided he or she is also elected as one of the six at-large councilors. The Mayor serves as presiding officer of the council and ex-officio Chairperson of the School Committee.

An elected six-member School Committee, whose members are elected biennially on a non-partisan basis, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 114 through 121 as part of required supplementary information.

Local economy

Worcester has seen its employment base shift from manufacturing to services with health and education making up the largest percentage and representing ten of the top fifteen employers in the City. Worcester is home to nine colleges and universities with over 35,000 students. Also located within Worcester are two major hospitals serving central Massachusetts including St. Vincent Hospital who recently expanded downtown and the UMass Memorial Medical Center that includes three campuses including a teaching campus for the University of Massachusetts. The school district and the City of Worcester also have a significant economic presence, employing in total more than 5,200 teachers, professionals and support staff.

Most of the colleges and universities located in the City have been expanding that has brought more jobs, students and visitors into the City. In recent years the University of Massachusetts Medical School finished constructing a \$405 million 500,000 square foot science and research facility on its campus; the College of the Holy Cross completed construction of a new residence hall; Worcester State University (WSU) finished constructing a new residence and dining facility; Becker College entered into a multi-year lease for space in the downtown to house 150 students; Massachusetts College of Pharmacy (MPHCS) currently has 1,300 students living and attending classes in the City's downtown with plans to expand to 2,000 students in the next 3 to 6 years; 55 micro-loft residential units were developed downtown with a large portion leased by MPHCS students; and Worcester Polytechnic Institute (WPI) constructed a 500 space parking garage that has athletic fields on its roof in addition to ongoing investment in residential units.

Gateway Park, located near the downtown, is WPI's center for biotechnologies and life sciences and has expanded to over 550,000 square feet of academic and commercially rented lab space. During fiscal 2015, Quinsigamond Community College expanded to downtown for its healthcare program and is leasing 73,000 square feet of space in a recently renovated 135,000 square foot building bringing in 500 students to the downtown area. Clark University made plans to develop a new 135,000 square foot student center costing \$24 million that incorporates solar panels on the roof and WSU began construction of a new 101,000 square foot Wellness Center costing \$53 million; both are expected to open in 2016.

The City of Worcester is designated a "Green Community" by the Commonwealth under the State's Green Community Act. It provides recognition of our community-wide efforts to conserve energy, identify and utilize renewable energy sources, implement recycling programs and promote the reduction of energy and fuel use both as a municipality and as a community. It will also enable the City to market itself on a regional, national and global basis as a City that is attractive to companies in the green energy sector, thus boosting our economic development business attraction and expansion activities.

Median household incomes within the City of Worcester averaged \$46,449 and under the state average of \$66,866. At the end of the fiscal year the unemployment rate in the City fell to 6.2% from the high of 10% during the recession. General fund revenue sources to the City during fiscal 2015 included 45% from tax levy, 7% from local and other sources and 48% from state aid. The City continued to not use its untaxed levy capacity of over \$10 million and has built up other reserves over \$83 million. Due to the strong financial results the City has maintained its stable bond ratings through fiscal 2015 from the major credit agencies.

Factors Affecting Financial Condition

There have been significant public and private investments in the City such as the improvement to the transportation infrastructure in recent years. CSX Corporation, an international transportation company, invested over \$100 million to relocate its intermodal container operation to Worcester in 2012 creating new jobs

and clearing the way for additional commuter trains between Worcester and Boston which now total 20 daily round trips, including plans for an express train to Boston. In 2013, Worcester Regional Transportation Authority (WRTA) completed a multi-million dollar federal and state funded intermodal project that gives a centralized transportation facility and enhanced transportation system to the City of Worcester and the surrounding region. Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) in 2010. The new owners have made improvements that attracted a new carrier in 2013 providing daily flights to Florida and after two years of service have flown over 250,000 passengers. Additional plans at the airport include a federally funded \$40 million landing system to allow for zero visibility landings which is expected to attract additional carriers with lines to major city hubs. The City continues to invest in streets and sidewalks pursuant to its capital improvement plan with spending over \$15 million in fiscal 2015 on improvements funded through grants such as the state's highway chapter 90 grants.

The City's use of tax increment financing and district improvement financing 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. In the north section of Main Street, plans started to take place in fiscal 2015 to redevelop the old County Courthouse, an historical site, into residential units and retail space. Nearby a former vacant vocational school was recently converted into stylish new apartments while maintaining the historic nature of the building. At Washington Square, a vacant eight story building is planned to be converted into 82 apartments targeting students and a six story, 120 rooms, extended stay hotel with parking. There are plans in the nearby Canal District to construct two hockey rinks for local use by colleges and private schools which is estimated to attract 50,000 visitors per year. North of downtown, additional hotel development is underway at Gateway Park with completion expected in fiscal 2016 and nearby, the former bus depot for the WRTA is expected to be converted into an urban shopping center.

Construction continued on the CitySquare project, the public-private \$565 million project located in downtown adding over 2 million square feet of mixed-use development. The project is one of the largest public-private development projects in the state. Completed and occupied in 2013 was a 7-story 214,000 square foot \$110 million office building housing the Unum Group and a 3-story 66,000 square foot \$23 million cancer and wellness center owned and operated by St. Vincent Hospital. Walkability and connectivity downtown have improved. Demolition and site preparation of the former Worcester Common Outlets was completed in fiscal 2015 and development started on a 550 space underground parking garage for public parking and to support a planned 150 room hotel and 6,000 square foot standalone restaurant. A neighboring parcel within CitySquare has been approved for two residential apartment buildings offering 370 units at market rate along with a five level parking garage with construction to begin in fiscal 2016 with an estimated cost of \$60 million. The City will use district improvement financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs and grant tax increment financing to the hotel developer. It is anticipated that increased property values and related taxes from CitySquare construction will service the City's debt associated with this project. Other private development projects that modernize existing buildings costing \$60 million are planned within CitySquare which could lead to higher rents and greater real estate value.

The City's arena and conference facility, the DCU Center (pictured on the cover) has undergone major renovations in recent years totaling \$34 million. The area surrounding the DCU Center has been designated a special finance district by the state and the City's share of meals, sales and hotel taxes help support debt service on related obligations. These local taxes in the DCU special district have grown 19% in fiscal 2015. Plans to further expand and improve the special district were made in fiscal 2015. Restaurants neighboring the DCU Center have also recently opened.

In November of 2006, the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund debt related to the new North High School along with various other projects. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating

stabilization fund” to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation. Additionally, as part of this plan starting in fiscal 2013 the City will contribute 30-percent of “Free Cash” annually to pre-fund the liability for Other Post-Employment Benefits (OPEB).

The City continues to pursue grants and other resources that keep the borrowing within the capital improvement program and borrowing cap. Grants for street and sidewalk projects totaled \$7 million which have reduced the City’s need to issue general obligation bonds for street infrastructure. An additional \$2 million in state grants was received in fiscal 2015 and another \$1 million planned by the City for future spending on its wayfinding project to guide visitors and improve the aesthetics of the street signage. The City has made significant investments in education with school construction activities including window and door replacement at several school buildings funded in part by the state through Massachusetts School Building Authority (MSBA). MSBA grants totaled \$10 million in fiscal 2015. In fiscal 2015, the ground breaking was underway for a new 112,000 square foot, energy efficient elementary school with an estimated cost of \$58 million funded in part by the MSBA of \$33 million. ESCO projects that make City-wide buildings and systems more energy efficient generated \$367 thousand in energy rebates this year. The City is also seeking to increase its use of renewable solar energy credits which help lower electricity costs by installing solar panels on top of a capped municipal landfill. Collections of hotel and meals tax used to support the general fund increased 6% in fiscal 2015 and should continue to increase with hotel and restaurant developments.

The City has taken advantage of the current low interest environment by retiring general obligation bonds with higher rates through the issuance of refunding bonds. In fiscal 2015, \$22 million of bonds have been refunded that generate an economic gain of \$2 million.

Worcester’s total assessed property value increased to \$11.171 billion in fiscal 2015, \$0.141 billion or 1.3% more than the previous year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-two consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,



Robert V. Stearns, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2015

Council – Manager Form of Government

CITY COUNCIL

Joseph M. Petty, Mayor & Councilor-at-Large

Councilors-at-Large

Morris A. Bergman
Michael T. Gaffney
Konstantina B. Lukes
Frederick C. Rushton
Kathleen M. Toomey

District Councilors

Anthony J. Economou
Philip P. Palmieri
Sarai Rivera
Gary Rosen
George J. Russell

CITY MANAGER

Edward M. Augustus, Jr.

AUDITING DEPARTMENT

Robert V. Stearns, CPA, City Auditor

Michael T. Hennessy
Kim Laino
Deborah Monahan

Director of Accounts
Chief Accountant
Administrative Assistant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett B. Conner

ASSESSOR

William J. Ford

TREASURER & COLLECTOR

Mariann Castelli Hier

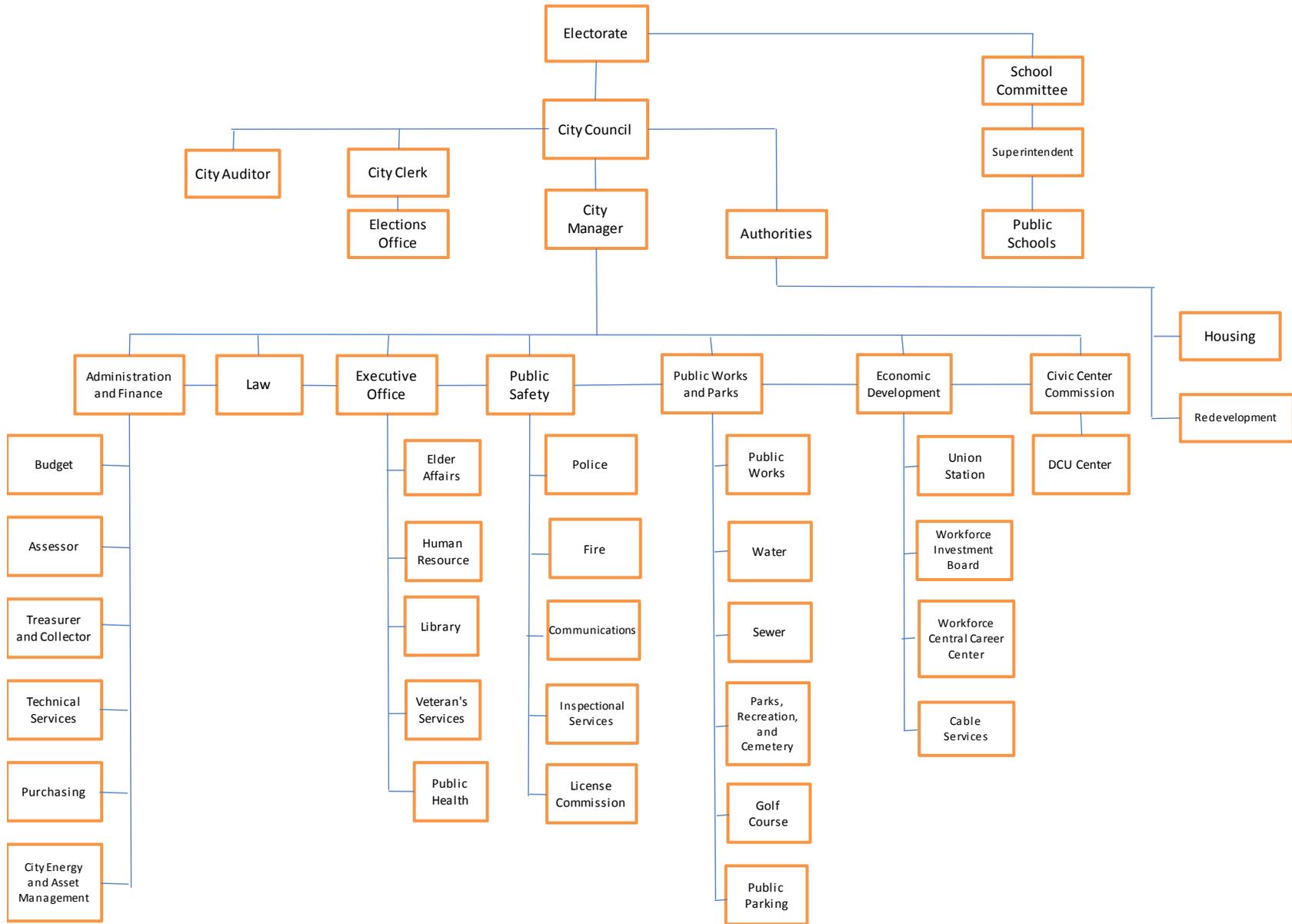
PURCHASING AGENT

Christopher J. Gagliastro

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT





Government Finance Officers Association

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

Presented to

**City of Worcester
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION



CliftonLarsonAllen LLP

CLAAconnect.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2015 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), which represents 86.7%, 41.0% and 97.1%, respectively, of the assets, net position and operating revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We and the other auditor conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of June 30, 2015 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 20). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 12 through 28) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 114 through 131) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, MA

December 10, 2015

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

(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, 2015 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

- The liabilities and deferred inflows of the City (primary government) exceeded its assets and deferred outflows (net position) at the close of fiscal 2015 by \$146,087.
- GASB 68 was implemented resulting in beginning net position being restated by (\$337,203) for net pension liability.
- The city's proportionate share of the net pension liability at the end of the year was \$373,633; net deferred outflows and inflows related to pensions totaled \$32,004; resulting in a decrease to net position of \$341,629.
- The City's total net position decreased by \$2,877 or 2.0% during the year.
- At the end of fiscal 2015, unassigned fund balance for the general fund was \$26,823 or 4.7% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2015 was \$1,007. This amount is unassigned in the general fund and available for appropriation in fiscal 2016.
- The City's total capital assets (net) increased by \$32,104 or 3.5% during fiscal 2015.
- The City's total debt decreased by \$3,141 or 0.5% during fiscal 2015.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during fiscal 2015. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

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

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The government-wide financial statements can be found on pages 29 through 31 of this report.

Fund Financial Statements

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

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

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

The City maintains 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 CitySquare fund, the debt service fund, the DCU Center construction fund and the rehabilitation of public buildings fund, each of which are considered major funds. Data from the 26 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual budget for its general fund and its enterprise funds.

The governmental funds financial statements can be found on pages 32 through 35.

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

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

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The proprietary fund financial statements can be found on pages 36 through 38.

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. 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. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 39 through 40.

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 41 through 112.

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 114 through 131.

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 8), supplementary statements and schedules (pages 132 through 153) and statistical section (pages 155 through 182).

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 \$146,087 at the close of the most recent fiscal year and are summarized as follows:

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	Net position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 290,445	289,732	39,315	42,794	329,760	332,526
Capital assets	708,937	683,797	233,931	226,967	942,868	910,764
Total assets	<u>999,382</u>	<u>973,529</u>	<u>273,246</u>	<u>269,761</u>	<u>1,272,628</u>	<u>1,243,290</u>
Deferred outflows of resources	30,785	-	1,916	-	32,701	-
Long-term liabilities	1,122,406	1,063,674	175,200	167,827	1,297,606	1,231,501
Other liabilities	129,442	129,409	23,671	25,590	153,113	154,999
Total liabilities	<u>1,251,848</u>	<u>1,193,083</u>	<u>198,871</u>	<u>193,417</u>	<u>1,450,719</u>	<u>1,386,500</u>
Deferred inflows of resources	656	-	41	-	697	-
Net position:						
Net investment in capital assets	361,677	333,718	88,675	86,648	450,352	420,366
Restricted	56,178	54,995	-	-	56,178	54,995
Unrestricted	<u>(640,192)</u>	<u>(608,267)</u>	<u>(12,425)</u>	<u>(10,304)</u>	<u>(652,617)</u>	<u>(618,571)</u>
Total net position	<u>\$ (222,337)</u>	<u>(219,554)</u>	<u>76,250</u>	<u>76,344</u>	<u>(146,087)</u>	<u>(143,210)</u>

* As restated (see Note 20)

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 (\$652,617). However, this balance includes outstanding pension obligation bonds of \$145,170 for which there are no offsetting assets in the governmental funds. General obligation bonds were also issued to finance land acquisition and pollution remediation to make way for a for-profit hospital in the City's downtown as well as for rehabilitation of Union Station, which is owned by the City's redevelopment authority (a component unit). There are also no offsetting assets in the governmental funds for this debt, which had balances of \$6,638 and \$1,268, respectively, at year-end. Additionally, the City has a note payable of \$2,216 for improvement to neighborhood assets it does not own and also owes \$741 for the Blackstone Valley Visitors Center, which was destroyed by fire. Also on this list is \$566 debt for the airport, which is no longer owned by the City. Absent the aforementioned debt, there is a balance of (\$496,018) of unrestricted net position.

At the end of fiscal 2015, the City is able to report positive balances in water and sewer net positions for business-type activities and all but unrestricted net position in the governmental activities. Fiscal 2014 long term liabilities and net position have been restated for the implementation of GASB 68 with adjustments for the net pension liability. Long-term liabilities increased \$66,105 primarily as a result of an increase in the net pension liability of \$36,430 and the net OPEB liability of \$25,780.

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Other liabilities increased for governmental activities by \$33 or 0.02%. Accounts payable and accrued liabilities increased \$6,982 including an increase of \$4,160 in deferred naming right fees and increases in accounts payable and accruals of \$2,822 mainly due to an increase in payroll deductions and accrued payroll warrants at year-end. Temporary debt decreased \$6,950 or 13%. Business-type activities had a decrease in other liabilities of \$1,919 or 7.5% as temporary notes decreased \$1,196 from \$18,982 to \$17,786 and accounts payable and accrued liabilities decreased \$723 mainly because of decreases in accounts payable related to enterprise capital projects. Governmental activities capital assets net of depreciation increased by \$25,140 or 3.7%. Construction in progress on a new public parking garage in CitySquare totaled \$18,152 and is 44% completed. Several school buildings took advantage of state funded school repair grants with window and door replacements and other renovations totaling \$12,055. Other improvements included renovations to streets and sidewalks of \$15,260 and improvement to parks of \$5,646.

The City's total net position decreased by \$2,877, or 2.0%, summarized as follows:

	Governmental activities		Business-type activities		Total	
	2015	2014*	2015	2014*	2015	2014*
Revenues:						
Program revenues:						
Charges for services	\$ 34,890	36,244	68,401	65,601	103,291	101,845
Operating grants and contributions	342,932	374,157	-	-	342,932	374,157
Capital grants and contributions	24,528	15,562	-	386	24,528	15,948
General revenues:						
Property taxes	257,423	247,313	-	-	257,423	247,313
Motor vehicle excise taxes	14,305	13,075	-	-	14,305	13,075
Intergovernmental	37,844	36,974	-	-	37,844	36,974
Other	11,244	13,226	-	-	11,244	13,226
Total revenues	<u>723,166</u>	<u>736,551</u>	<u>68,401</u>	<u>65,987</u>	<u>791,567</u>	<u>802,538</u>
Expenses:						
General government	23,721	49,096	-	-	23,721	49,096
Public safety	160,408	302,717	-	-	160,408	302,717
Health and human services	16,650	32,756	-	-	16,650	32,756
Education	424,350	548,011	-	-	424,350	548,011
Public works	47,280	57,769	-	-	47,280	57,769
Culture and recreation	27,461	35,211	-	-	27,461	35,211
Community development	4,063	4,256	-	-	4,063	4,256
Interest on debt	21,806	26,555	-	-	21,806	26,555
Water	-	-	27,391	39,096	27,391	39,096
Sewer	-	-	39,972	45,563	39,972	45,563
Golf course	-	-	1,429	1,713	1,429	1,713
Total expenses	<u>725,739</u>	<u>1,056,371</u>	<u>68,792</u>	<u>86,372</u>	<u>794,531</u>	<u>1,142,743</u>
Change in net position before transfers and contributions	(2,573)	(319,820)	(391)	(20,385)	(2,964)	(340,205)
Transfers	(297)	418	297	(418)	-	-
Contributions	<u>87</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>87</u>	<u>69</u>
Change in net position	(2,783)	(319,333)	(94)	(20,803)	(2,877)	(340,136)
Net position – beginning (restated)	<u>(219,554)</u>	<u>99,779</u>	<u>76,344</u>	<u>97,147</u>	<u>(143,210)</u>	<u>196,926</u>
Net position – ending	<u>\$ (222,337)</u>	<u>(219,554)</u>	<u>76,250</u>	<u>76,344</u>	<u>(146,087)</u>	<u>(143,210)</u>

* As restated (see Note 20)

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Governmental activities – Governmental activities decreased the City's net position by \$2,783. The key elements of this decrease are as follows:

Total revenues were \$723,166, which was a \$13,385 or 1.8% decrease from the previous fiscal year.

Operating grants experienced the largest change from the previous year with a decrease of \$31,225, of which \$29,508 was attributable to a decrease in an on-behalf amount for state retirement. The implementation of GASB 68 reduced the amount of on-behalf contribution from the state for the state teacher retirement system. Chapter 70 funding from the state for school operations totaled \$220,570 and remained relatively flat with a 0.3% increase over the prior year. School grants including nutritional grants experienced a net decrease of 6.3% or \$3,416 over the prior year. Community development grants increased \$3,338 or 127% due to the increased spending against expiring lines of credit with HUD for CDBG block grants.

General revenues increased by \$10,228 or 3.3% as property tax revenue increased by \$10,110 or 4.1%, primarily because of an increase in property taxes committed for collection. Motor vehicle excise revenue increased \$1,230 or 9.4%. This continues the trend of annual increases in motor vehicle taxes collected since low points that occurred in 2009-2011. Other income totaled \$11,244 and decreased \$1,982 from the year before, as investment income recognized by trusts was \$13 for the year compared to \$2,623 for the prior year due to a downturn in the capital markets. Capital grants increased \$8,966 or 57.6% over the previous year as there was an increase of \$7,723 in the state's MSBA grants to finance renovation of school buildings. Charges for services decreased \$1,354 or 3.7% with public works experiencing the largest decrease of \$2,533 or 22.3%. Included in public works was a decrease from the prior year in landfill tipping fees of \$1,239 as the Greenwood landfill ceased receiving fill for fees at the beginning of the fiscal year. In addition street betterments was down \$1,439 or 97% as work started in prior years and completed in fiscal 2014 created an above average year in fiscal 2014 coupled with a lower than average year for assessments in the current year. Receipts received from parking garages increased \$121 or 3%. Public safety increased \$1,326 or 8.2% mainly attributable to an increase in inspectional services revenue of \$650 or 22% as building permits increased \$514 or 35% while police detail and other fees decreased \$152 or 1.6%.

Total expenses were \$725,739, which was a \$330,632 or 31.3% decrease from the previous fiscal year. However, \$317,444 of expenses from the previous fiscal year relate to the prior period adjustment for GASB Statement No. 68. The following discussion about changes in expenses is exclusive of the prior period adjustment. Education expenses decreased by \$40,516 of which \$29,508 was attributable to a decrease in on-behalf state retirement and \$13,851 was a result of a reclassification of the allocation of OPEB related expense among departments. Special needs tuition expense decreased \$2,589 or 13%. This was offset by increases to educational salaries and wages of \$3,440 or 1.8% as raises were provided during the year. Fringe benefits increased \$3,692 and depreciation expense increased \$996. Public safety increased \$24,199 or 17.8% as \$12,971 was a result of a reclassification of the allocation of OPEB expense among departments. In addition, public safety fringe benefit costs increased \$4,948 with retirement contributions experiencing the largest increase over the prior year of \$3,695. Public safety salaries experienced small increases over the prior year as negotiated salary increases had not been finalized. Police salaries increased \$118 or 0.3% while fire salaries increased \$1,227 or 3.9% mainly due to step increases on prior year new class hired in March 2014. Raises for public safety employees are expected in fiscal 2016, including retroactive payments dated to January 1, 2014. Culture and recreation expenses increased \$6,939 or 33.8% which included an increase in grant expenses of \$1,206 attributable to additional grants received, \$473 attributable to an increase in retirement, an increase in staff and

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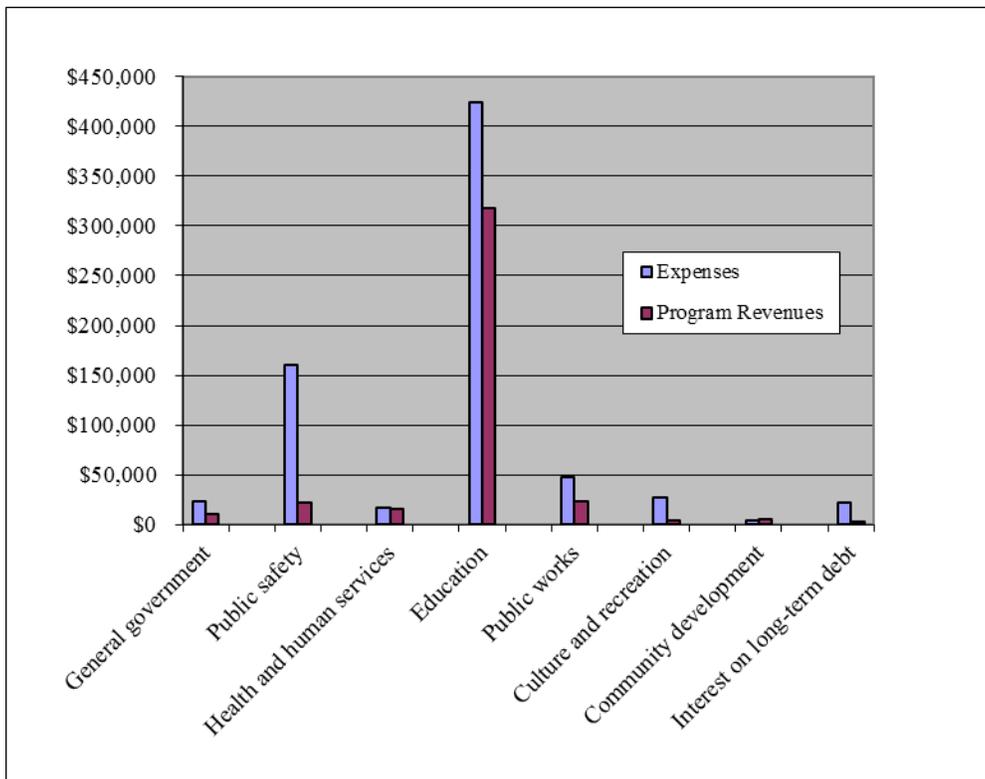
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ordinary maintenance expenses totaling \$434 or 4.8%, an increase in depreciation expense of \$916, noncapital projects of \$1,184, and an adjustment of \$609 from a reclassification of the allocation of OPEB expense among departments. Public works increased \$3,962 or 9.1% as the cost for snow removal totaled \$6,485, an increase of \$1,918 or 42.0%, the cost of retirement increased \$529, and there was an increase of additional grants totaling \$1,136. Interest on debt decreased \$4,749 or 17.9% mainly because of interest payable in the prior year on maturing capital appreciation bonds.

FY 2015 Expenses and Program Revenues– Governmental Activities



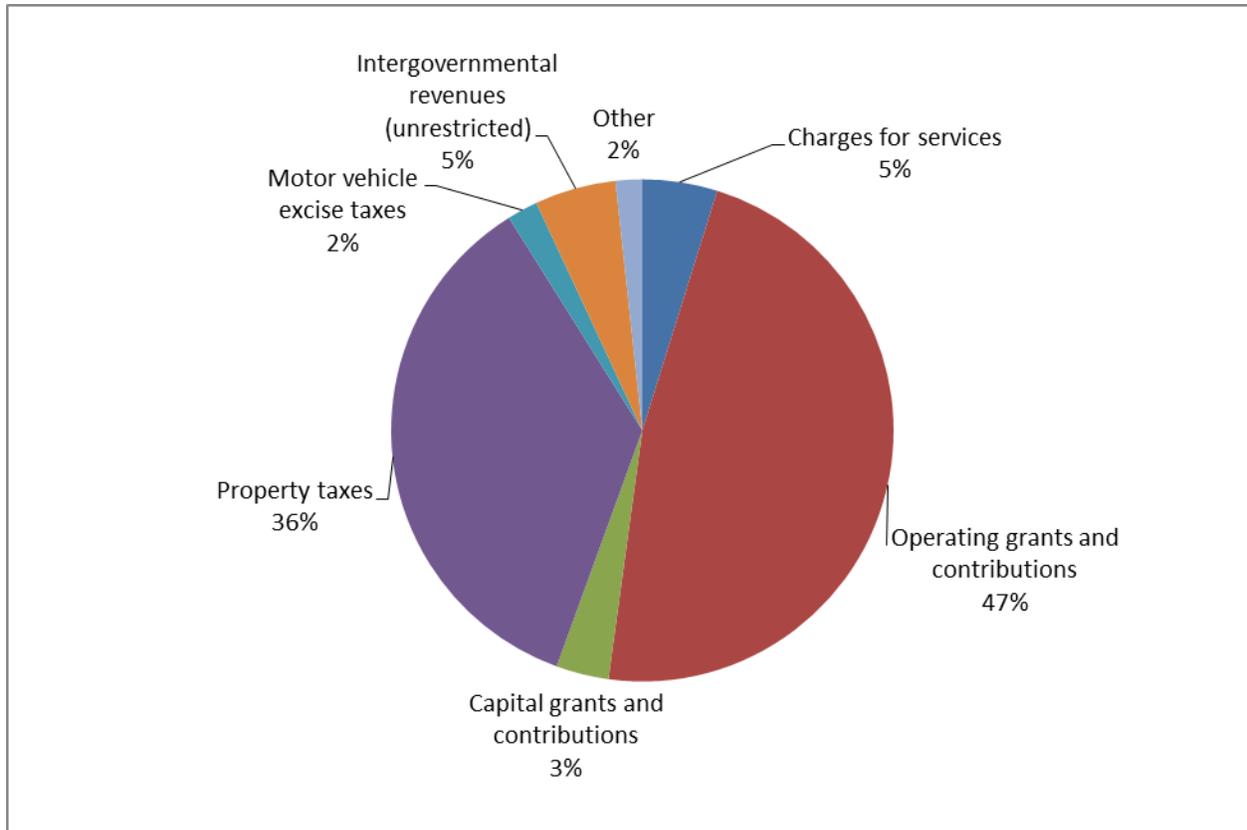
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FY 2015 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net position by \$94. It should be noted that \$19,759 of expenses from the previous fiscal year relate to the prior period adjustment for GASB Statement No. 68. As it relates to expenses, the following discussion about business-type activities is exclusive of the prior period adjustment.

- The water fund had operating income of \$3,492 and had an increase in net position of \$384. This follows the previous year's operating income of \$4,987 with a \$1,741 increase in net position. Water rates increased \$0.03 per 100 cubic feet or 0.9% over the prior year resulting in an increase in water fees of \$228 while miscellaneous revenue declined \$110 for a net increase in water revenue of \$117. Salaries increased \$262, retirement increased \$236 and other fringes increased \$116. A reclassification of the allocation of OPEB expense among departments resulted in a decrease in net position of \$779. The unrestricted net position at June 30, 2015 was a deficit of \$12,986 following a deficit balance of \$10,993 as of the end of the previous year as restated. The beginning balance was restated and reduced by \$13,186 to include the fund's share of net pension liability due to the implementation of GASB 68. The net investment in capital assets increased \$2,377.

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- The sewer fund had operating income of \$2,142 and had a decrease in net position of \$358. This follows the previous year's operating loss of \$207 with a \$2,714 decrease in net position. Sewer rates increased \$0.35 per 100 cubic feet or 5.9% over the prior year resulting in an increase in revenue of \$2,689. Salaries increased \$178, retirement increased \$141 and other fringes increased \$36. A reclassification of the allocation of OPEB expense among departments resulted in a decrease in net position of \$194. Ordinary maintenance decreased \$873 with a decrease in contracted engineers of \$746, decrease in accrued workers compensation claims of \$480 and a decrease in non-capital expenditures of \$570. This was offset by a \$920 increase in the assessment from Upper Blackstone Water Pollution Abatement District. The unrestricted net position at June 30, 2015 was \$1,084 following a balance of \$1,180 as of the end of the previous year as restated. The beginning balance was restated and reduced by \$6,242 to include the fund's share of net pension liability due to the implementation of GASB 68. The net investment in capital assets decreased \$262.
- The golf course fund (nonmajor) had an operating loss of \$277 and net position decreased by \$120. This follows the previous year's operating loss of \$221 and decrease in net position of \$71. Revenues decreased \$7 from the previous year while salaries increased \$8, retirement increased \$13 and other fringe benefits increased \$11. The unrestricted net position at June 30, 2015 was a deficit of \$524 following a deficit balance of \$489 as of the end of the previous year as restated. The beginning balance was restated and reduced by \$331 to include the fund's share of net pension liability due to the implementation of GASB 68. The net investment in capital assets decreased \$85.

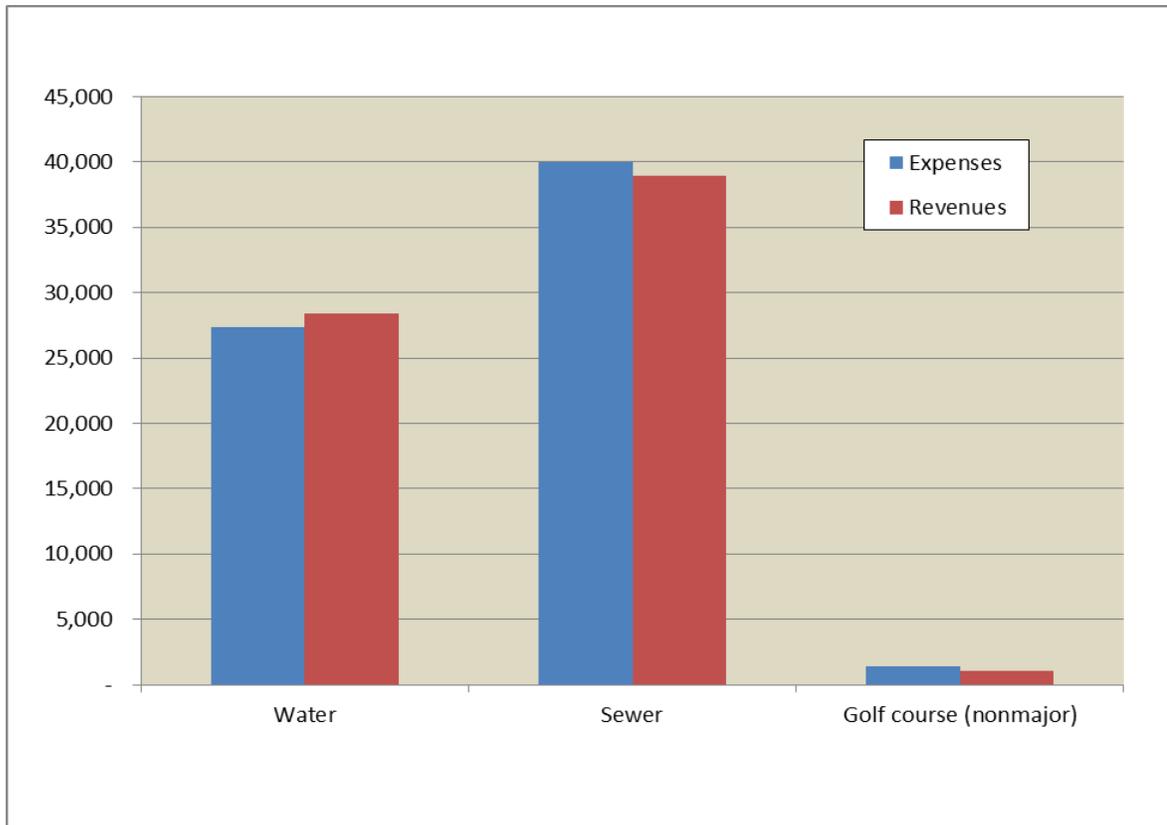
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FY 2015 Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

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

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

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At the end of fiscal 2015, the City's governmental funds reported combined ending fund balances of \$91,273 an increase of \$7,303 or 8.7% from fiscal 2014. Fund balance includes \$12,935 of non-spendable amounts contained in nonexpendable permanent funds and \$26,823 of unassigned general fund balance available for spending at the City's discretion. Deficits of \$63 in the DCU Center construction fund, \$11,745 in the rehabilitation of public buildings fund, \$21,324 in the CitySquare fund and \$2,955 in non-major funds will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds. The remaining fund balance has \$47,578 restricted for specific purposes or by federal or state grants, \$19,393 of funds committed for debt service and \$20,632 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 2015, unassigned fund balance of the general fund was \$26,823 or 4.7% of total general fund revenues and a restricted fund balance of \$8,425. During fiscal 2015, the City's general fund balance increased by \$358 or 1.0%. Total revenues exceeded expenditures by \$6,278, while transfers out exceeded transfers in by \$6,914. The general fund also received a premium on the issuance of bonds of \$994.

CitySquare had a fund balance deficit of \$21,324 at the end of fiscal 2015, a \$16,288 decrease from the previous year. During the year \$4,401 of capital grant receipts was received. Total expenditures were \$21,001 including construction of a new public parking garage totaling \$18,152 which was 44% complete at the end of fiscal 2015. The deficit has been temporarily financed with accounts payable and temporary loans. Bond Anticipation Notes (BANS) outstanding at the end of the year totaled \$17,722.

The debt service fund had a fund balance of \$19,393 at the end of fiscal 2015, a \$1,269 or 7.0% increase from the previous year. During the year \$2,094 in local meals and hotel tax revenue was received attributable to the DCU special district which increased \$339 or 19.3% over the previous year as meals tax receipts were up 53% and hotel tax up 8%. There were \$13,152 net transfers in from the general fund. Debt service expenditures were \$13,977.

DCU Center construction fund had a fund balance deficit of \$63 at the end of fiscal 2015, an \$18,963 or 99.7% decrease in the deficit from the previous year. Bond proceeds received during the year totaled \$19,505 and there were net transfers in of \$11. Total expenditures were \$813; a \$15,075 or 94.9% decrease from the prior year. BANS outstanding at the end of the year totaled \$214.

Rehabilitation of public buildings had a fund balance deficit of \$11,745 at the end of fiscal 2015, a \$3,260 or 38.4% increase in the deficit from the previous year. Issuances of bonds and refunding bonds totaled \$6,647. Expenditures totaled \$6,986 and net transfers to other funds totaled \$2,922. BANS outstanding at the end of the year totaled \$12,505.

Other governmental funds had a fund balance of \$69,764 at the end of fiscal 2015, a \$6,261 or 9.9% increase from the previous year. Special revenue funds decreased by \$852 as expenditures of \$100,406 were exceeded by revenues of \$101,614 and premiums on issuance of bonds of \$5,392 and net transfers out of \$7,452. The capital projects funds increased \$7,147 as expenditures of \$39,096 exceeded revenues of \$20,127, net transfers in from other funds of \$3,845, and bond proceeds of \$22,270. Permanent funds decreased by \$32 as expenditures of \$116 and transfer to other funds of \$16 exceeded investment income of \$13 and donations of \$87.

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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 2015 totaled \$76,250. The beginning balance was restated to account for the implementation of GASB 68 where the net pension liability at the beginning of the year reduced the net position by \$19,759. There was a \$94 decrease in net position from current year operations. The water fund had an increase of \$384 while the sewer fund had a decrease of \$358 and the golf course fund (nonmajor) had a decrease of \$120. Unrestricted net position consisted of (\$12,986) in the water fund, \$1,084 in the sewer fund and (\$524) in the golf course fund (nonmajor). Net investment in capital assets consisted of \$53,379 in the water fund, \$35,416 in the sewer fund and (\$119) 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 \$501 lower than the original amount. The estimate for property taxes was increased by \$445 as additional assessments were added. The estimate for motor vehicle excise was increased \$400 as trends in this excise continue to increase. The state local aid was decreased by \$946 due to a reduction in the Charter School reimbursement. The budget for school based Medicaid reimbursement was reduced \$400 because of short falls in the prior year.

The final budget for transfers-in increased by \$4,390 from the original budget. There were transfers from various special revenue fund accounts; \$2,305 from premium on loans to cover debt service on refunded bonds, \$453 from premium on loans to cover debt issuance costs, and \$1,500 from real estate sales reserve for payment of temporary loans. There was also a \$70 transfer from a budgetary basis non-irrevocable trust to fund health costs of airport retirees and \$62 from other funds.

The final general fund expenditure budget was \$4,534 higher than the original. Debt principal increased \$3,703 due mainly to the cost of refunded bonds of \$2,055 and the retirement of temporary debt totaling \$1,500 that did not require conversion to long term bonds. Snow removal costs increased over the original budget by \$1,642 due to record amounts of snowfall. The ordinary maintenance budget line for Treasurer's department increased \$453 for the cost of issuing bonds. Other department budgets changed with transfers from the contingency account to fund salary increases that were approved during the year. The original budget for education, including related fringe benefits experienced a net decrease of \$450 after there was a reduction of intergovernmental revenues of \$950. The reduction of intergovernmental revenue included a decrease in funds received for charter schools. This was offset by additional tax revenue from new growth that was allocated to the school budget totaling \$460 and an allocation from free cash of \$40. Additionally, there were miscellaneous transfers into and out of various miscellaneous accounts.

The final budget for transfers-out increased from the original budget by \$1,683. \$1,397 was transferred to a budgetary basis trust fund (non-irrevocable) for Other Post-Employment Benefits and \$208 went to fund deficits in various grant and reserve accounts including construction fee reserve \$95, DCU operations \$47, and 911 training grants \$66. Additionally \$78 was transferred to subsidize the golf enterprise in addition to the \$150 in the original budget.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

(In thousands of dollars)

The general fund balance had a budgetary basis decrease of \$2,060 during the year and was slightly better than the budgeted deficit of \$2,328 by \$268. This is in contrast to increases of \$367, \$1,162, and \$12,785 in the three prior years. The budgeted deficit of \$2,328 included free cash appropriated from unassigned general fund for current year expenses totaling \$931 and a transfer to the OPEB fund of \$1,397. The year-end unassigned fund balance totaled \$26,514. Revenues fell short of the final budget by \$812. Revenue accounts with collections that exceeded estimates included motor vehicle excise \$1,013, special assessments \$175, local option for meals and hotel tax \$297, fees from inspectional services including building permits \$640, inter-governmental revenues from veteran benefits \$185, elderly and veteran exemptions \$57, federal indirect costs \$183 and charter school reimbursement \$53, court fines \$226, investment income \$77 and miscellaneous \$839. Offsetting these were accounts that fell short of estimates. Real estate and personal property taxes fell short of estimates by \$3,085 as refunds were issued after abatement of prior year taxes that exceeded \$1,500. Other revenue lines that fell short of estimates included penalties and interest \$393, in-lieu of taxes \$147, various license and permit fees \$196, school-based Medicaid reimbursement \$346, school bus assistance \$53, parking fines \$130, and various departmental receipts \$207. There was \$886 in unexpended appropriations from several departments and budget sections, the largest budgetary turn back coming from public works ordinary maintenance totaling \$222. The bottom line was also assisted from revenues from premium on loans which were \$194 over the final budget.

Capital Assets and Debt Administration

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$942,868. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress, net of depreciation. The total increase in the City's investment in capital assets for the current year was \$32,104 or 3.5%. Governmental activities increased by \$25,140 or 3.7% and business-type activities increased by \$6,964 or 3.1%.

Major capital asset events during the current fiscal year included the following:

- Streets and sidewalks were improved with costs amounting to \$15,260.
- The CitySquare project had capital expenditures of \$20,688 as the demolition phase of existing structures to enable the site for development was completed and the construction of a new public parking garage began and was 44% complete. Total project demolition and infrastructure expenditures to date have been \$97,186.
- Expenditures for parks improvement projects totaled \$5,646 during the year.
- Expenditures during the year for rehabilitation of public buildings were \$2,994 with the majority of it going towards energy improvements.
- Expenditures during the year for school construction totaled \$12,055 with much of the total financed with grants as \$10,155 was received during the year from the state.
- Expenditures for the expansion and improvement to the DCU Center totaled \$553. Total expenditures for the past six years have been \$34,461.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$21,034. Of this amount, \$16,433 was for sewer projects and \$4,601 was for water projects.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

(In thousands of dollars)

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

	Capital assets (net of accumulated depreciation)					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 21,788	20,860	6,488	6,488	28,276	27,348
Buildings	351,186	362,155	26,585	27,860	377,771	390,015
Improvements, other than buildings	39,325	31,480	-	-	39,325	31,480
Equipment and other	6,855	8,094	761	542	7,616	8,636
Rolling equipment	5,273	5,110	4,003	3,468	9,276	8,578
Infrastructure	117,862	117,915	185,904	178,176	303,766	296,091
Construction in progress	166,648	138,183	10,190	10,433	176,838	148,616
Total	<u>\$ 708,937</u>	<u>683,797</u>	<u>233,931</u>	<u>226,967</u>	<u>942,868</u>	<u>910,764</u>

Additional information on the City's capital assets can be found in note 10 of this report.

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$626,273, a decrease of \$3,141 or 0.5% from the prior fiscal year. With the exception of the notes and lease payables, the full faith and credit of the City back this entire amount.

	Long-term debt					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 477,409	481,445	140,711	137,277	618,120	618,722
Notes payable	2,216	4,164	1,950	1,480	4,166	5,644
Capital lease payable	3,987	5,048	-	-	3,987	5,048
Total	<u>\$ 483,612</u>	<u>490,657</u>	<u>142,661</u>	<u>138,757</u>	<u>626,273</u>	<u>629,414</u>

On December 15, 2014 the City issued \$80,239 of general obligation bonds of which \$60,009 was bonds issued for current projects and \$20,230 was refunding debt. The proceeds consisted of \$48,996 for governmental activities of which \$7,407 was refunding bonds issued and \$31,243 for business-type activities of which \$12,823 was refunding bonds issued. Additionally, \$562 of short term notes from the Massachusetts Clean Water Trust was converted to long term for business-type activities.

In relation to the above debt the City maintained a credit rating of AA- from Fitch Ratings, Aa3 from Moody's Investors Service and AA- by Standard and Poor's.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

(In thousands of dollars)

Massachusetts General Law subjects the City to a dual-level general debt limit: the normal debt limit and 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 a board comprised of the state Auditor, state Treasurer, Attorney General and Director of Accounts. Additionally, certain categories of general obligation debt are exempt from the debt limit but subject to other limitations.

Additional information on the City's long-term debt can be found in notes 12 and 13 of this report.

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 6.2% at June 30, 2015, compared with a 7.5% rate that existed a year earlier. This compares with June 30, 2015 unemployment rates of 4.7% in Massachusetts and 5.3% nationally.

A recent study by Colliers International reported that as of March 31, 2015, a sample of 2.06 million square feet of office space in Worcester was 81.7% occupied.

Property values increased from \$11,030,011 in fiscal 2014 to \$11,171,271, or 1.3%, in fiscal 2015.

The fiscal original 2016 general fund budget anticipates total revenues of \$595,221, premium on loans of \$1,300 and transfers from other funds of \$2,904 compared with actual results of \$570,943, \$994 and \$10,437 respectively in fiscal 2015. It is anticipated that property tax revenue will increase by \$14,299 or 5.5% over the prior year by taxing new growth and increasing the tax levy allowed under the state's tax limiting law "Proposition 2½". The City also has available an unused tax levy capacity of \$10,072, which was not used in prior years when the City did not tax up to the annual allowable increase. Additionally, state local aid is anticipated to increase by \$12,501 primarily because of an increase in educational aid of \$11,700 due to an increase of 600 students and a net increase in other local aid of \$801. Other revenue categories were budgeted at levels similar to the prior year.

Fiscal 2016 general fund expenditures were originally budgeted at \$585,149 with transfers out to the debt service fund of \$13,636, \$490 to DCU Center operations and the golf course enterprise fund of \$150 compared with actual results of \$568,631, \$13,652, \$365 and \$228 in the prior year. There were also additional transfers out totaling \$160 to the special revenue fund in fiscal 2015 and a transfer to the OPEB fund account of free cash totaling \$1,397. Fiscal 2016 expenditure budgets increased over the prior year actuals by \$16,518 including \$11,666 for school operations, \$3,126 for fringe benefits including \$2,270 for schools and \$856 for city retirement and health care. Additionally the contingency account was budgeted \$5,800 at the start of the year and expected to transfer to public safety upon settlement of union contracts and to provide retroactive raises. The Veteran's division which was part of the City Manager department in fiscal 2015 moved to Health and Human Services department in fiscal 2016 resulting in a change of \$2,100 in the year to year comparison. Offsetting these were decreases for the snow removal budget of \$1,642 and debt principal and interest of \$4,005 which is attributable to the retirement of refunded bonds and temporary loans in fiscal 2015.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2015

(In thousands of dollars)

The original budget plan was for revenues, loan premiums and transfers in to equal expenditures and transfers out. Since then, appropriations are expected to be made from the \$1,007 of certified "Free Cash". In accordance with the City's "Five Point Plan" 50% of Free Cash or \$503 will go to a "Bond Rating Stabilization" account, which is accounted for in the general fund and thus will preserve unassigned fund balance, \$302 to an OPEB reserve account, which is not irrevocable and is accounted for as restricted in the general fund, and \$202 for other various budget supplements.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer and water funds are each budgeted to have revenue equal expenditures and transfers out and the golf course is budgeted to need a \$150 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive total revenues of \$40,737, \$3,184 more than the prior year actual and water revenue is budgeted at \$29,426, \$978 more than the prior year actual. Sewer rates were increased by 5.2% from the prior year and water rates were increased by 1.7%. The golf course anticipates revenues of \$1,231, which is \$141 more than the prior year actual with no major rate changes.

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, Room 102, Worcester, Massachusetts 01608.

Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Position

June 30, 2015

				Component units	
	Primary government			Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
	Governmental activities	Business-type activities	Total		
Assets:					
Cash and cash equivalents	\$ 143,078,081	7,934,979	151,013,060	66,890	4,283,553
Restricted cash and cash equivalents	55,627,233	15,373,541	71,000,774	19,173	-
Restricted investments	25,840,589	-	25,840,589	-	5,172,003
Receivables (net of allowance for uncollectibles)	18,664,149	16,006,062	34,670,211	145,033	721,088
Intergovernmental receivables	47,234,816	-	47,234,816	-	409,142
Capital assets, not being depreciated	188,435,630	16,677,503	205,113,133	1,671,468	1,487,704
Capital assets, net of accumulated depreciation	520,501,570	217,253,798	737,755,368	26,278,510	171,548,431
Total assets	999,382,068	273,245,883	1,272,627,951	28,181,074	183,621,921
Deferred outflows of resources:					
Related to pensions	30,784,956	1,916,156	32,701,112	-	616,613
Deferred charge on refunding	-	-	-	-	267,258
Total deferred outflows of resources	30,784,956	1,916,156	32,701,112	-	883,871
Liabilities:					
Current liabilities:					
Accounts payable	50,968,811	3,034,160	54,002,971	110,924	1,019,629
Accrued liabilities	15,592,797	1,404,190	16,996,987	2,090,590	2,532,615
Retainage payable	2,272,650	1,446,975	3,719,625	-	-
Other liabilities	14,214,713	-	14,214,713	30,848	-
Temporary notes payable	46,393,000	17,785,764	64,178,764	-	2,000,000
Noncurrent liabilities due within one year	59,992,562	15,554,529	75,547,091	8,214,536	7,637,600
Total current liabilities	189,434,533	39,225,618	228,660,151	10,446,898	13,189,844
Noncurrent liabilities:					
Net pension liability	351,739,406	21,893,396	373,632,802	-	4,670,154
OPEB payable	242,483,720	7,452,628	249,936,348	-	2,406,669
Other noncurrent liabilities due in more than one year	468,190,487	130,299,820	598,490,307	544,650	151,319,605
Total noncurrent liabilities	1,062,413,613	159,645,844	1,222,059,457	544,650	158,396,428
Total liabilities	1,251,848,146	198,871,462	1,450,719,608	10,991,548	171,586,272
Deferred inflows of resources:					
Related to pensions	655,851	40,823	696,674	-	958,544
Net position:					
Net investment in capital assets	361,676,770	88,675,630	450,352,400	24,050,902	14,397,212
Restricted for:					
Nonexpendable permanent funds:					
Libraries	6,016,366	-	6,016,366	-	-
Hope Cemetery	3,222,285	-	3,222,285	-	-
Health and human services	2,132,547	-	2,132,547	-	-
Other nonexpendable permanent funds	1,563,924	-	1,563,924	-	-
Expendable permanent funds:					
Libraries	2,957,875	-	2,957,875	-	-
Hope Cemetery	772,232	-	772,232	-	-
Health and human services	683,890	-	683,890	-	-
Other nonexpendable permanent funds	835,880	-	835,880	-	-
OPEB trust fund	8,424,902	-	8,424,902	-	-
State and federal grants	13,027,438	-	13,027,438	-	-
PEG access grant	3,554,512	-	3,554,512	-	-
Culture & recreation grants	326,243	-	326,243	-	-
General government grants	827,097	-	827,097	-	-
Health and human services grants	2,250,953	-	2,250,953	-	-
Library grants	1,451,649	-	1,451,649	-	-
Public safety grants	4,377,172	-	4,377,172	-	-
Public works grants	1,791,857	-	1,791,857	-	-
Educational grants	1,961,540	-	1,961,540	-	-
Unrestricted (deficit)	(640,192,105)	(12,425,876)	(652,617,981)	(6,861,376)	(2,436,236)
Total net position	\$ (222,336,973)	76,249,754	(146,087,219)	17,189,526	11,960,976

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2015

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	\$ 23,720,925	3,626,400	6,361,087	-	(13,733,438)
Public safety	160,408,128	17,444,414	4,237,321	-	(138,726,393)
Health and human services	16,649,756	1,854,558	13,987,470	-	(807,728)
Education	424,349,907	1,939,866	306,129,093	10,154,615	(106,126,333)
Public works	47,279,904	8,822,746	941,323	13,842,202	(23,673,633)
Culture and recreation	27,460,929	1,164,275	2,814,105	531,743	(22,950,806)
Community development	4,063,768	37,487	5,959,790	-	1,933,509
Interest on debt	21,805,413	-	2,501,798	-	(19,303,615)
Total governmental activities	<u>725,738,730</u>	<u>34,889,746</u>	<u>342,931,987</u>	<u>24,528,560</u>	<u>(323,388,437)</u>
Business-type activities:					
Water	27,390,927	28,360,266	-	-	969,339
Sewer	39,972,447	38,951,156	-	-	(1,021,291)
Golf course (nonmajor)	1,429,052	1,089,508	-	-	(339,544)
Total business-type activities	<u>68,792,426</u>	<u>68,400,930</u>	<u>-</u>	<u>-</u>	<u>(391,496)</u>
Total primary government	\$ <u>794,531,156</u>	<u>103,290,676</u>	<u>342,931,987</u>	<u>24,528,560</u>	<u>(323,779,933)</u>
Component units:					
Worcester Redevelopment Authority	\$ 2,459,095	512,873	-	254,884	(1,691,338)
Upper Blackstone Water Pollution Abatement District	<u>27,065,154</u>	<u>25,486,210</u>	<u>-</u>	<u>12,500</u>	<u>(1,566,444)</u>
Total component units	\$ <u>29,524,249</u>	<u>25,999,083</u>	<u>-</u>	<u>267,384</u>	<u>(3,257,782)</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	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)	\$ (323,388,437)	(391,496)	(323,779,933)	(1,691,338)	(1,566,444)
General revenues:					
Property taxes	257,423,208	-	257,423,208	-	-
Motor vehicle excise taxes	14,304,511	-	14,304,511	-	-
Other taxes and in-lieu payments	6,196,694	-	6,196,694	-	-
Penalties and interest on taxes	2,106,626	-	2,106,626	-	-
Intergovernmental (unrestricted)	37,844,146	-	37,844,146	-	-
Investment earnings	681,188	-	681,188	133	-
Miscellaneous	2,259,128	-	2,259,128	-	-
Transfers (net)	(297,414)	297,414	-	-	-
Total general revenues and transfers (net)	320,518,087	297,414	320,815,501	133	-
Contributions to permanent funds	87,335	-	87,335	-	-
Sub-total	320,605,422	297,414	320,902,836	133	-
Change in net position	(2,783,015)	(94,082)	(2,877,097)	(1,691,205)	(1,566,444)
Net position - beginning, as restated	(219,553,958)	76,343,836	(143,210,122)	18,880,731	13,527,420
Net position - ending	\$ (222,336,973)	76,249,754	(146,087,219)	17,189,526	11,960,976

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2015

	General	CitySquare	Debt Service	DCU Center Construction	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
Assets:							
Cash and cash equivalents	\$ 75,480,971	-	19,392,844	-	-	20,631,734	115,505,549
Restricted cash and cash equivalents	-	1,481,568	-	150,725	2,382,264	51,612,676	55,627,233
Restricted investments	8,424,902	-	-	-	-	17,415,687	25,840,589
Due from other funds	190,488	-	-	-	-	-	190,488
Receivables (net of allowance for uncollectibles)	16,292,911	-	-	-	-	1,160,536	17,453,447
Intergovernmental receivables	42,295,154	-	-	-	-	4,939,662	47,234,816
Total assets	\$ 142,684,426	1,481,568	19,392,844	150,725	2,382,264	95,760,295	261,852,122
Liabilities:							
Accounts payable	\$ 42,207,043	4,846,427	-	-	743,104	3,172,237	50,968,811
Due to general fund	-	-	-	-	-	190,488	190,488
Retainage payable	-	237,498	-	-	878,663	1,156,489	2,272,650
Temporary loans	-	17,722,000	-	214,000	12,505,000	15,952,000	46,393,000
Other liabilities	9,850,413	-	-	-	-	4,364,300	14,214,713
Total liabilities	52,057,456	22,805,925	-	214,000	14,126,767	24,835,514	114,039,662
Deferred inflows of resources:							
Unavailable revenue-school construction reimbursement	40,246,189	-	-	-	-	-	40,246,189
Unavailable revenue-property taxes	7,608,868	-	-	-	-	-	7,608,868
Unavailable revenue-other	7,524,188	-	-	-	-	1,160,536	8,684,724
Total deferred inflows of resources	55,379,245	-	-	-	-	1,160,536	56,539,781
Fund balances:							
Nonspendable	-	-	-	-	-	12,935,122	12,935,122
Restricted	8,424,902	-	-	-	-	39,152,930	47,577,832
Committed	-	-	19,392,844	-	-	20,631,734	40,024,578
Unassigned	26,822,823	(21,324,357)	-	(63,275)	(11,744,503)	(2,955,541)	(9,264,853)
Total fund balances	35,247,725	(21,324,357)	19,392,844	(63,275)	(11,744,503)	69,764,245	91,272,679
Total liabilities, deferred inflows of resources, and fund balances	\$ 142,684,426	1,481,568	19,392,844	150,725	2,382,264	95,760,295	261,852,122

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2015

Total governmental fund balances (Exhibit 3)	\$	91,272,679
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.		708,937,200
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.		56,539,781
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.		21,162,620
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.		(7,972,183)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds		30,129,105
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and notes payable, net of unamortized premiums		(492,285,989)
Capital lease payable		(3,987,412)
Net pension liability		(351,739,406)
Net OPEB obligation		(242,483,720)
Judgments and claims		(14,227,953)
Compensated absences		(13,016,431)
Landfill closure costs and post closure costs		(4,665,264)
Net position of governmental activities (Exhibit 1)	\$	<u><u>(222,336,973)</u></u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2015

	General	CitySquare	Debt Service	DCU Center Construction	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 256,651,928	-	-	-	-	-	256,651,928
Motor vehicle excise taxes	14,265,078	-	-	-	-	-	14,265,078
Other taxes and in-lieu payments	4,777,003	-	2,094,491	-	-	-	6,871,494
Penalties and interest on taxes	2,106,626	-	-	-	-	-	2,106,626
Licenses and permits	5,795,068	-	-	-	-	-	5,795,068
Intergovernmental	278,741,652	4,400,675	-	-	-	97,579,039	380,721,366
Charges for services	5,565,704	-	-	-	-	18,571,762	24,137,466
Fines and forfeitures	3,097,071	-	-	-	-	-	3,097,071
Investment earnings (losses)	554,563	-	-	-	-	12,737	567,300
Donations	-	-	-	-	-	5,058,586	5,058,586
Contributions to permanent funds	-	-	-	-	-	87,335	87,335
Miscellaneous	1,727,192	-	-	-	-	531,936	2,259,128
Total revenues	573,281,885	4,400,675	2,094,491	-	-	121,841,395	701,618,446
Expenditures:							
Current:							
General government	17,930,031	-	-	-	2,405,519	4,238,850	24,574,400
Public safety	83,930,093	-	-	-	209,262	13,633,524	97,772,879
Health and human services	859,653	-	-	-	-	12,758,919	13,618,572
Education	247,222,702	-	-	-	-	66,016,764	313,239,466
Public works	20,758,385	20,688,231	-	-	359,226	19,252,955	61,058,797
Culture and recreation	9,385,133	-	-	553,204	20,347	12,068,011	22,026,695
Fringe benefits	103,581,078	-	-	-	-	-	103,581,078
Community development	-	-	-	-	-	4,063,768	4,063,768
State and regional charges	30,659,583	-	-	-	-	-	30,659,583
Debt service:							
Principal	35,122,277	312,948	8,707,873	259,765	3,991,418	6,584,496	54,978,777
Interest	17,554,507	-	5,269,570	-	-	1,001,035	23,825,112
Total expenditures	567,003,442	21,001,179	13,977,443	812,969	6,985,772	139,618,322	749,399,127
Excess (deficiency) of revenues over expenditures	6,278,443	(16,600,504)	(11,882,952)	(812,969)	(6,985,772)	(17,776,927)	(47,780,681)
Other financing sources (uses):							
Transfers in	10,366,817	-	13,651,599	10,806	-	9,888,022	33,917,244
Transfers out	(17,281,546)	-	(500,000)	-	(2,921,154)	(13,511,958)	(34,214,658)
Premium on issuance of bonds	993,838	-	-	-	-	3,086,673	4,080,511
Issuance of bonds	-	-	-	19,505,000	2,656,000	19,427,500	41,588,500
Premium on issuance of refunding bonds	-	-	-	-	-	2,305,381	2,305,381
Issuance of refunding bonds	-	312,948	-	259,765	3,991,418	2,842,928	7,407,059
Total other financing sources (uses)	(5,920,891)	312,948	13,151,599	19,775,571	3,726,264	24,038,546	55,084,037
Net change in fund balances	357,552	(16,287,556)	1,268,647	18,962,602	(3,259,508)	6,261,619	7,303,356
Fund balances – beginning	34,890,173	(5,036,801)	18,124,197	(19,025,877)	(8,484,995)	63,502,626	83,969,323
Fund balances – ending	\$ 35,247,725	(21,324,357)	19,392,844	(63,275)	(11,744,503)	69,764,245	91,272,679

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, 2015

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 7,303,356
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>	
Capital outlays	58,922,796
Depreciation	(33,782,865)
<p>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.</p>	
	(8,770,000)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the 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:</p>	
Issuance of bonds	(48,995,559)
Bond and note maturities	54,978,777
Net deferrals and amortization of bond premiums	(4,784,385)
<p>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.</p>	
	566,669
<p>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.</p>	
	1,580,635
<p>Pension expense reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
	(4,166,707)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These amounts represent the net change:</p>	
Net OPEB obligation	(24,109,929)
Capital lease principal payments	1,060,223
Judgments and claims	(2,641,100)
Compensated absences	(3,633)
Landfill closure and post closure care	58,707
	<u>\$ (2,783,015)</u>
Change in net position of governmental activities (Exhibit 2)	

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,218,279	3,642,805	73,895	7,934,979	27,572,532
Restricted cash and cash equivalents	5,201,290	10,094,838	77,413	15,373,541	-
Receivables (net)	4,113,449	11,892,613	-	16,006,062	1,210,702
Total current assets	13,533,018	25,630,256	151,308	39,314,582	28,783,234
Noncurrent assets:					
Capital assets:					
Land	6,370,950	116,500	-	6,487,450	-
Buildings	43,848,061	5,459,258	965,493	50,272,812	-
Infrastructure	156,955,574	194,964,183	1,709,730	353,629,487	-
Construction in progress	631,678	9,558,375	-	10,190,053	-
Equipment and other	875,306	515,744	-	1,391,050	-
Rolling equipment	3,115,488	7,661,854	-	10,777,342	-
Less accumulated depreciation	(96,976,084)	(100,553,690)	(1,287,119)	(198,816,893)	-
Capital assets, net	114,820,973	117,722,224	1,388,104	233,931,301	-
Total assets	128,353,991	143,352,480	1,539,412	273,245,883	28,783,234
Deferred outflows of resources:					
Related to pensions	1,278,717	605,298	32,141	1,916,156	-
Liabilities:					
Current liabilities:					
Accounts payable	887,581	2,072,684	73,895	3,034,160	-
Accrued liabilities	651,316	742,080	10,794	1,404,190	7,620,614
Retainage payable	113,216	1,333,759	-	1,446,975	-
Judgments and claims	227,245	149,652	-	376,897	-
Compensated absences	392,031	166,681	9,261	567,973	-
Temporary loans	5,840,000	11,945,764	-	17,785,764	-
Other	2,202	3,359	-	5,561	-
Bonds and notes payable	9,286,171	5,151,039	166,888	14,604,098	-
Total current liabilities	17,399,762	21,565,018	260,838	39,225,618	7,620,614
Noncurrent liabilities:					
Judgments and claims	934,393	1,141,100	-	2,075,493	-
Compensated absences	98,685	38,473	4,383	141,541	-
Net pension liability	14,610,224	6,915,942	367,230	21,893,396	-
OPEB payable	4,825,712	2,463,192	163,724	7,452,628	-
Other	55	26,262	-	26,317	-
Bonds and notes payable	51,343,476	75,294,876	1,418,117	128,056,469	-
Total noncurrent liabilities	71,812,545	85,879,845	1,953,454	159,645,844	-
Total liabilities	89,212,307	107,444,863	2,214,292	198,871,462	7,620,614
Deferred inflows of resources:					
Related to pensions	27,242	12,896	685	40,823	-
Net position (deficit):					
Net investment in capital assets	53,379,509	35,415,609	(119,488)	88,675,630	-
Unrestricted	(12,986,350)	1,084,410	(523,936)	(12,425,876)	21,162,620
Total net position (deficit)	\$ 40,393,159	36,500,019	(643,424)	76,249,754	21,162,620

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, 2015

	Business-type activities			Totals	Governmental activities
	Major		Nonmajor		Internal Service Fund
	Water	Sewer	Golf Course		Fund
Operating revenues:					
Charges for services	\$ 27,063,527	38,220,880	-	65,284,407	-
Employer contributions	-	-	-	-	62,886,517
Employee contributions	-	-	-	-	21,916,026
Fees	-	-	1,049,474	1,049,474	-
Miscellaneous	1,296,739	730,276	40,034	2,067,049	-
Total operating revenues	28,360,266	38,951,156	1,089,508	68,400,930	84,802,543
Operating expenses:					
Salaries and benefits	11,621,828	6,615,191	373,475	18,610,494	-
Benefit payments	-	-	-	-	83,285,742
Ordinary maintenance	4,441,621	19,793,929	825,728	25,061,278	-
Indirect costs	2,072,772	3,203,844	30,499	5,307,115	-
Depreciation	6,732,108	7,196,106	137,046	14,065,260	-
Total operating expenses	24,868,329	36,809,070	1,366,748	63,044,147	83,285,742
Operating income (loss)	3,491,937	2,142,086	(277,240)	5,356,783	1,516,801
Nonoperating revenues (expenses):					
Investment income	-	-	-	-	63,834
Interest expense	(2,522,598)	(3,163,377)	(62,304)	(5,748,279)	-
Total nonoperating revenues (expenses)	(2,522,598)	(3,163,377)	(62,304)	(5,748,279)	63,834
Income (loss) before transfers	969,339	(1,021,291)	(339,544)	(391,496)	1,580,635
Transfers in	371,797	1,228,788	239,635	1,840,220	-
Transfers out	(956,953)	(565,832)	(20,021)	(1,542,806)	-
Change in net position	384,183	(358,335)	(119,930)	(94,082)	1,580,635
Total net position – beginning (restated)	40,008,976	36,858,354	(523,494)	76,343,836	19,581,985
Total net position – ending	\$ 40,393,159	36,500,019	(643,424)	76,249,754	21,162,620

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type activities				Governmental activities
	Major		Nonmajor Golf	Totals	Internal Service Fund
	Water	Sewer	Course		
Cash flows from operating activities:					
Receipts from customers	\$ 28,448,165	37,552,630	1,089,508	67,090,303	84,802,543
Payments for interfund service provided	-	-	-	-	(82,170,895)
Payments to suppliers	(6,426,419)	(24,637,750)	(854,004)	(31,918,173)	-
Payments to employees	(10,268,876)	(6,070,061)	(332,238)	(16,671,175)	-
Net cash provided (used) by operating activities	<u>11,752,870</u>	<u>6,844,819</u>	<u>(96,734)</u>	<u>18,500,955</u>	<u>2,631,648</u>
Cash flows from noncapital financing activities:					
Transfers in	371,797	1,228,788	239,635	1,840,220	-
Transfers (out)	(956,953)	(565,832)	(20,021)	(1,542,806)	-
Net cash provided (used) by noncapital financing activities	<u>(585,156)</u>	<u>662,956</u>	<u>219,614</u>	<u>297,414</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Intergovernmental subsidies and grants	-	-	-	-	-
Issuance of capital debt	15,816,203	33,559,797	214,205	49,590,205	-
Acquisition and construction of capital assets	(4,646,982)	(15,879,879)	-	(20,526,861)	-
Principal paid on capital debt	(19,180,550)	(27,313,801)	(388,400)	(46,882,751)	-
Interest paid on capital debt	(2,602,540)	(3,103,204)	(62,794)	(5,768,538)	-
Net cash provided (used) by capital and related financing activities	<u>(10,613,869)</u>	<u>(12,737,087)</u>	<u>(236,989)</u>	<u>(23,587,945)</u>	<u>-</u>
Cash flows from investing activities:					
Investment income	-	-	-	-	63,834
Net increase (decrease) in cash and cash equivalents	553,845	(5,229,312)	(114,109)	(4,789,576)	2,695,482
Cash and cash equivalents at beginning of year (includes \$4,138,474, \$13,767,284 and \$202,903 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>8,865,724</u>	<u>18,966,955</u>	<u>265,417</u>	<u>28,098,096</u>	<u>24,877,050</u>
Cash and cash equivalents at end of year (includes \$5,201,290, \$10,094,838 and \$77,413 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>\$ 9,419,569</u>	<u>13,737,643</u>	<u>151,308</u>	<u>23,308,520</u>	<u>27,572,532</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 3,491,937	2,142,086	(277,240)	5,356,783	1,516,801
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	6,732,108	7,196,106	137,046	14,065,260	-
Increase in net deferred outflows	(1,278,717)	(605,298)	(32,141)	(1,916,156)	-
Increase in net OPEB obligation	1,174,213	460,344	34,939	1,669,496	-
Increase in net deferred inflows	27,242	12,896	685	40,823	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	87,899	(1,398,526)	-	(1,310,627)	622,762
Accounts payable	141,282	(1,355,871)	3,641	(1,210,948)	-
Accrued liabilities	-	-	-	-	492,085
Judgments and claims payable	(33,478)	(273,870)	-	(307,348)	-
Compensated absences payable	(14,163)	(7,376)	530	(21,009)	-
Increase in net pension liability	1,424,547	674,328	35,806	2,134,681	-
Total adjustments	<u>8,260,933</u>	<u>4,702,733</u>	<u>180,506</u>	<u>13,144,172</u>	<u>1,114,847</u>
Net cash provided (used) by operating activities	<u>\$ 11,752,870</u>	<u>6,844,819</u>	<u>(96,734)</u>	<u>18,500,955</u>	<u>2,631,648</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

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

(a) *Financial Reporting Entity*

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

Primary Government

The City operates under the Council-Manager form of government. Legislative authority is vested in an eleven-member City Council (the Council), of which six members are elected at-large and five are elected from districts. 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, 2015, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2014.

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. Complete audited financial statements for WRS are publicly available and can be obtained from the Retirement Office, 455 Main Street, Room 103, Worcester, Massachusetts 01608.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Discretely Presented Component Units

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

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.
- The **Worcester Redevelopment Authority** (WRA) was organized under state law as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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 provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2015 amounted to \$3,058, which represented approximately 69.5% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 60 Foster Street, Worcester, Massachusetts 01608.

Related Organization

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

(b) Implementation of New Accounting Principles

For the year ending June 30, 2015, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

The implementation of GASB Statement No. 68 and 71 required the reporting of pension items for the City's future pension benefit obligations and it expanded note disclosures and required supplementary information related to pension items.

The implementation of GASB Statement No. 69 had no reporting impact for the City.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

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

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

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

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

The government-wide financial statements and the proprietary, fiduciary, and component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Except for the agency fund (a fiduciary fund), revenues are recorded when earned and expenses are recognized when incurred. Agency funds do not present the results of operations or have a measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

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

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

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) claims and judgments (including self-insurance), compensated absences and landfill closure and post closure care costs, all of which are recorded as 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.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources including state and federal grants and the proceeds from the issuance of bonds used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for CitySquare, North High School, Airport, DCU Improvements, and other debt service.
- **DCU Center Construction Fund** – The DCU Center construction fund was established to account for improvements to the City's civic center and arena.
- **Rehabilitation of Public Buildings Fund** – The rehabilitation of public buildings fund accounts for improvements to City owned buildings.

CITY OF WORCESTER, MASSACHUSETTS

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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 Trust Fund** – The pension trust fund is used to account for the activities of WRS, which accumulates resources for pension benefit payments to qualified employees.
- **Agency Fund** – The agency fund is used to account for student activity funds.

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

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

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

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

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

Cash Equivalents

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

Basis of Investment Valuation

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

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

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

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

Inventory

The cost of supplies and other inventoriable items for governmental funds are recorded as an expenditure at the time of purchase (purchase method). The cost of supplies and other inventoriable items for enterprise funds are valued using the first-in/first-out (FIFO) method. No significant inventory balances were on hand at June 30, 2015, 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 2015. Donated capital assets are valued at their estimated fair value at the time received. 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, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

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Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The primary government has one item that qualifies for reporting in this category. Deferred outflows related to pensions are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has two types of items that qualify for reporting in this category. Deferred inflows related to pensions are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68. The primary government also has deferred inflows which arise under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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Net Position and Fund Balances

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

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

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

“OPEB trust fund” represents amounts held in a non-irrevocable trust for other post-employment benefits.

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

“PEG access grant” represents restrictions placed on assets related to public, education and government access grants.

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. 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.

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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 fund balance 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. It is the City’s policy to maintain unassigned general fund balance on a budgetary basis of accounting equal to or greater than 5-percent of general fund revenues.

Securities Lending Transactions

Collateral received on securities lending transactions is reported as an asset with a corresponding liability to the borrower. The underlying securities lent to the borrower under these transactions are reported as investments. Borrower rebates and administrative fees are reported as expenses; interest and dividends on the underlying securities and related collateral are reported as revenues.

Landfill Closure and Post Closure Care Costs

State and federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and post closure care for all MSWLFs based on landfill capacity used to date. At June 30, 2015, 100% of the City’s expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and post closure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2015 were \$59.

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Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the governmental funds financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the proprietary and government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

Long-Term Liabilities

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

Investment Income

Except for the permanent funds and the CitySquare fund, 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(2) **Property Taxes**

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount, which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the City, including available surplus funds.

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

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

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

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

In fiscal 2015, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$4,545. In fiscal 2015, expenditures exceeded budgetary estimates for intergovernmental expenditures which were funded by unexpended appropriations during fiscal year 2015.

(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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

Deposits - Custodial Credit Risk

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 to collateralize certain bank accounts. As of June 30, 2015, \$143,333 of the City's bank balance of \$223,143 was insured and collateralized with securities held by pledging financial institutions, and \$79,810 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2015, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 588	26	440	78	44
U.S. Agencies.....	1	-	-	1	-
Corporate bonds.....	220	-	31	78	111
Money market mutual funds.....	627	627	-	-	-
Commercial paper.....	5,376	5,376	-	-	-
Mutual bond funds.....	2,351	2,351	-	-	-
Fixed income securities.....	3,400	3,400	-	-	-
External investment pools.....	35,334	35,334	-	-	-
Total debt securities.....	<u>47,897</u>	<u>47,114</u>	<u>471</u>	<u>157</u>	<u>155</u>
<u>Other Investments:</u>					
Equity securities.....	440				
Equity mutual funds.....	<u>5,061</u>				
Total other investments.....	<u>5,501</u>				
Total investments.....	<u>\$ 53,398</u>				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

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, 2015, none of the City's investments were exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Certain trust funds can invest in securities that are rated below AAA. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2015, the credit quality ratings (per Standard & Poor's, a national credit rating organization) of the City's investment in debt securities (including implicitly-guaranteed investments in U.S. Agencies) are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

<u>Quality Ratings</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Commercial Paper</u>	<u>Mutual Bond Funds</u>	<u>Fixed Income Securities</u>	<u>External Investment Pools</u>	<u>Totals</u>
AAA.....	\$ -	-	-	30	-	-	-	30
AA+.....	1	16	-	-	-	-	-	17
AA.....	-	-	-	186	-	-	-	186
AA-.....	-	-	-	253	-	-	-	253
A+.....	-	11	-	528	-	-	-	539
A.....	-	-	-	388	-	-	-	388
A-.....	-	50	-	758	-	-	-	808
BBB+.....	-	53	-	389	-	-	-	442
BBB.....	-	25	-	499	-	-	-	524
BBB-.....	-	32	-	617	-	-	-	649
BB+.....	-	-	-	103	-	-	-	103
BB.....	-	-	-	254	-	-	-	254
BB-.....	-	8	-	215	-	-	-	223
B+.....	-	-	-	55	-	-	-	55
B.....	-	-	-	30	-	-	-	30
Unrated...	-	25	627	1,071	2,351	3,400	35,334	42,808
Total.....	\$ 1	220	627	5,376	2,351	3,400	35,334	47,309

(b) Deposits and Investments of the 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

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2014, the WRS's bank balance of \$3,236 was not exposed to custodial credit risk.

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(In thousands of dollars)

Investments Summary

The WRS's investments at December 31, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 65,027	\$ -	\$ 32,299	\$ 30,094	\$ 2,634
U.S. Agencies.....	10,753	-	-	-	10,753
Corporate bonds.....	17,738	-	4,750	6,217	6,771
Money market mutual funds.....	6,208	6,208	-	-	-
Securities lending short-term collateral investment pool.....	32,047	32,047	-	-	-
Other fixed income.....	62,665	41,977	2,974	1,233	16,481
Total debt securities.....	194,438	\$ 80,232	\$ 40,023	\$ 37,544	\$ 36,639
<u>Other Investments:</u>					
Equity securities.....	17,433				
Equity mutual funds.....	391,223				
Real estate investments.....	119,880				
Alternative investments.....	126,195				
Total other investments.....	654,731				
Total investments.....	\$ 849,169				

Investments - Interest Rate Risk of Debt Securities

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 life 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2014, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

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, 2014, the credit quality ratings of the WRS's debt securities are as follows:

<u>Quality Ratings *</u>	<u>Investment Type</u>						<u>Fair Value</u>
	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>Market Mutual Funds</u>	<u>Securities Lending Pool</u>	<u>Other Fixed Income</u>		
AAA.....	\$ -	\$ 972	\$ -	\$ -	\$ 3,120	\$ 4,092	
AA+.....	804	335	-	-	1,666	2,805	
AA.....	315	373	-	-	1,429	2,117	
AA-.....	-	-	-	-	856	856	
A+.....	-	539	-	-	-	539	
A.....	-	2,071	-	-	805	2,876	
A-.....	-	3,266	-	-	-	3,266	
BBB+.....	-	7,170	-	-	523	7,693	
BBB.....	-	1,928	-	-	-	1,928	
BBB-.....	-	479	-	-	-	479	
Unrated.....	<u>8,637</u>	<u>605</u>	<u>6,208</u>	<u>32,047</u>	<u>54,266</u>	<u>101,763</u>	
Total.....	\$ <u>9,756</u>	\$ <u>17,738</u>	\$ <u>6,208</u>	\$ <u>32,047</u>	\$ <u>62,665</u>	\$ <u>128,414</u>	

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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Deposits and Investments – Foreign Currency Risk

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, 2014, the WRS had indirect exposure to foreign currency risk for certain equity and fixed income investments issued by foreign countries and direct exposure to foreign currency risk related to Euro currency deposits in the amount of \$1,413.

Investments – Concentration of Credit Risk

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, 2014, the WRS was not exposed to concentration of credit risk.

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

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

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District'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 collateralize the remaining amounts. At June 30, 2015, the District's deposits were fully insured and collateralized.

Short Term Investment

The District invests in units in the Massachusetts Municipal Depository Trust (MMDT). At June 30, 2015, the District's deposits with MMDT totaled \$1,628. The MMDT was established to provide a short-term external investment pool entirely separate from other financial activities of the Commonwealth of Massachusetts. The State Treasurer serves as the Trustee, and has sole authority of the Commonwealth of Massachusetts. The State Treasurer serves as the Trustee, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. The MMDT is not rated by any independent fund rating institution and the weighted average maturity of its investments in its Cash Portfolio is less than one year. For a complete copy of MMDT's separately issued financial statements, the Cash Management Department of the State Treasurer's Office should be contracted.

CITY OF WORCESTER, MASSACHUSETTS

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Investments Summary

The District's investments at June 30, 2015, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
<u>Debt Securities:</u>			
U.S. Agencies	\$ 2,729	<u>1,030</u>	<u>1,699</u>
 <u>Other Investments:</u>			
Cash	452		
Equity securities - Domestic	1,929		
Equity securities - International	<u>62</u>		
Total investments	\$ <u>5,172</u>		

At June 30, 2015, the District had a net unrealized gain of \$685 on its investments.

Investments - Interest Rate Risk of Debt Securities

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 although the maturity value is unaffected. The District's policies for interest rate risk permit the investment manager discretion to recommend assets with lives that are pegged at Barclay's 1-3 Year Government Index. The portfolio's asset lives may be shorter or longer than the benchmark depending upon the investment manager's interest rate forecast. The asset lives currently average 1.91 years.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure by the custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's securities are the custody of Fidelity Investments at June 30, 2015. The District's securities are protected under Securities and Exchange Commission Rule 15c3-3. As of June 30, 2015, none of the District's investments were subject to custodial credit risk.

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Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will default on its obligations. The District's policy for credit risk of debt securities restricts investment to debt obligations maintaining a Aaa rating by Moody's rating service or are full faith obligations of the U.S. Treasury. As of June 30, 2015, the credit quality ratings of the District's debt securities are as follows:

<u>Quality Rating</u>	<u>U.S. Agencies</u>
Aaa	\$ 2,729

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District'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. Obligations of the U.S. Treasury, U.S. government agencies and money market funds are exempted from this restriction. As of June 30, 2015, the District had no investments with a single issuer that represented 5 percent or more of the District's total investments.

Investments recorded as current assets are available for operating purposes. Investments recorded as noncurrent assets have been designated as reserved for plant replacement, pollution insurance claims and a special reserve for other post employment benefits.

(d) Deposits of the WRA

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

Deposits - Custodial Credit Risk

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, 2015, none of the WRA's bank balance of \$120 was uninsured and uncollateralized.

(e) Securities Lending

The Massachusetts Division of Public Employee Retirement Administration Commission (PERAC) has issued supplemental regulations that permit WRS to engage in securities lending transactions. These transactions are conducted by one of WRS's brokers, who lend certain securities owned by WRS to other broker-dealers and banks pursuant to a form of loan agreement. WRS and the borrowers maintain the right to terminate all securities lending transactions on demand.

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The custodian lends, at the direction of the lending agent, WRS's securities and cash received (including both U.S. and foreign currency), U.S. Government securities, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. The lending agent does not have the ability to pledge or sell collateral securities delivered unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 105% of the market value of foreign securities on loan and 102% of the market value if domestic securities on loan (Required Collateral Level). If at any time the market value of the collateral for any loan decreases to 100% or less of the market value of the loaned securities borrowers are required to provide additional collateral sufficient to increase the market value of the collateral to at least the Required Collateral Level.

WRS does not impose any restrictions on the amount of securities lent on its behalf by the lending agent. There were no failures by any borrowers to return loaned securities or pay distributions thereon, nor were there any losses from default of the borrowers or the lending agent for the year ended December 31, 2014. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which WRS could not determine.

At December 31, 2014, WRS had no credit risk exposure to borrowers because the amounts WRS owed the borrowers exceeded the amounts owed to WRS. The cash and non-cash collateral held and the fair value of securities on loan for WRS at December 31, 2014 were \$32,811 and \$32,047, respectively. Borrower rebates and fees paid to the broker were \$49 for the year ended December 31, 2014.

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

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

Membership in WRS was as follows at December 31, 2014:

Active employees	3,262
Pensioners and beneficiaries	2,717
Inactive employees not entitled to or not receiving benefits	684
Inactive employees entitled to or receiving benefits	<u>87</u>
Total members	<u><u>6,750</u></u>
Number of participating employers	<u><u>2</u></u>

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

(b) Benefits Provided

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%.

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

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

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

(c) Contributions

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

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

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$1,248 for the fiscal year ended June 30, 2015 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2014, active member contributions totaled \$16,321 and employer contributions totaled \$41,201. Contributions to WRS from the City were \$38,206 for the year ended June 30, 2015.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

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

The components of the net pension liability of the WRS at December 31, 2014, were as follows:

Total pension liability	\$	1,228,555
Plan fiduciary net position		<u>(825,633)</u>
Net pension liability	\$	<u><u>402,922</u></u>
Plan fiduciary net position as a percentage of the total pension liability		67.20%

At June 30, 2015, the City reported a liability of \$373,633 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The City's proportion of the net pension liability is the proportionate share of employer contributions to WRS for the year ended December 31, 2014, actuarially determined. At December 31, 2014, the City's proportion was 92.73 percent, which was the same proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$42,632. At June 30, 2015, the City reported deferred outflows (inflows) of resources of \$32,004 related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows (inflows) of resources related to pensions		
Changes of assumptions	\$ 12,701	-
Net difference between projected and actual earnings on WRS investments	20,000	-
Differences between expected and actual experience	<u>-</u>	<u>697</u>
Total	\$ <u><u>32,701</u></u>	<u><u>697</u></u>

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The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2015 that will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ 7,401
2017	7,401
2018	7,401
2019	7,401
2020	2,400

(e) Actuarial Assumptions and Methods

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002 and 2010 ERI liability; payment on the remaining unfunded liability increases 4.0% per year, beginning with fiscal year 2017 payment.
Remaining amortized period (period is closed)	3 years for the 2002 ERI liability 6 years for the 2010 ERI liability 18 years for the remaining unfunded liability 18 years is the equivalent single amortization period (ESAP)
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	7.625%, net of pension plan investment expense, including inflation.
Projected salary increases	3.5% per year for 2015 and 2016 and 4.50% per year thereafter.

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Rate of inflation	3.0% per year for 2015 and 2016 and 4.00% per year thereafter.
Cost of living adjustments	3.0% of the first \$13 of retirement income
Mortality rates:	Based on the RP-2000 Employee Mortality Table projected generationally using Scale AA. For disabled retirees, the mortality rates were based on the RP-2000 Mortality Table projected generationally using Scale AA, set forward three years for males.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2014. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date primarily included a change in the discount rate/investment rate of return from 7.75% to 7.625% and adjustments to mortality assumptions to more closely reflect actual experience.

(f) *Investment Policies and Rates of Return*

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, 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.

For the year ended December 31, 2014, the annual money-weighted rate of return on WRS investments, net of investment expense, was 4.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
Domestic equity	25.0	6.40
International developed markets equity	12.0	7.07
International emerging markets equity	13.0	9.26
Core fixed income	13.0	1.53
High-yield fixed income	5.0	4.25
Real estate	10.0	4.30
Commodities	5.0	3.77
Hedge fund, global tactical asset allocation, risk parity	9.0	3.44
Private equity	8.0	11.26
Cash	0.0	0.96

(g) ***Discount Rate***

The discount rate used to measure the total pension liability was 7.625 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.

CITY OF WORCESTER, MASSACHUSETTS

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

The following presents the net pension liability of WRS calculated using the discount rate of 7.625 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 (6.625 percent) or 1-percentage-point higher (8.625 percent) than the current rate:

	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
System's net pension liability	\$ 536,129	\$ 402,922	\$ 289,475

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.625 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 (6.625 percent) or 1-percentage-point higher (8.625 percent) than the current rate:

	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
City's share of net pension liability	\$ 497,157	\$ 373,633	\$ 268,433

(i) Legally Required Reserve Accounts

The balance in WRS's legally required reserves as of December 31, 2014 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 183,476	Active members' contribution balance
Annuity Reserve Fund	57,153	Retired members' contribution account
Military Service Fund	198	Members' contribution account while on military leave
Pension Reserve Fund	577,050	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>7,756</u>	Remaining net position
 Total	 <u>\$ 825,633</u>	

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

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

(6) Massachusetts Teachers' Retirement System

(a) *Plan Description and Benefits*

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

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be 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*

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

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

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

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, 2015. The Commonwealth's net pension liability associated with the City was \$435,997.

The MTRS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014.

For the year ended June 30, 2015, the City recognized pension expense of \$30,291 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

(d) Actuarial assumptions

The MTRS' total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

Investment rate of return	8.00%
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:	Pre-retirement - reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct) Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) Disability - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males
Other	3.5% interest rate credited to the annuity savings fund 3.0% cost of living increase per year

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(e) *Investment Policies and Rates of Return*

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, 2014 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	43.0	7.20
Core fixed income	13.0	2.50
Hedge funds	10.0	5.50
Private equity	10.0	8.80
Real estate	10.0	6.30
Value Added Fixed Income	10.0	6.30
Timber/Natural Resources	4.0	5.00

(f) *Discount rate*

The discount rate used to measure the MTRS' total pension liability was 8.0%. 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.

(g) *Pension plan fiduciary net position*

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

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

(7) Pension Plan (The District)

(a) *Plan Description*

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB) which consists of five members-two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

(b) *Benefits*

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement age is at 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' 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 MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(c) **Contributions**

Member contributions for MSERS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30

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

At June 30, 2015, the District reported a liability of \$4,670 for its proportionate share of the net pension liability. The net position was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on the District's share of actual contributions to the pension plan relative to the actual contributions of all participating governmental entities, adjusted for any nonemployer contributions. At June 30, 2014, the District's proportion was 0.06291 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$385. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 53	-
Net difference between projected and actual earnings on plan investments	-	959
Changes in proportionate share of contributions	175	-
District contributions subsequent to the measurement date	389	-
Total	\$ 617	959

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

The \$389 of deferred outflows of resources resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as flows:

Year Ended June 30	
2016	\$ (189)
2017	(189)
2018	(189)
2019	(189)
2020	25

(e) Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2015. This valuation used the following assumptions:

1. a. 8.0% investment rate of return, b. 3.5% interest rate credited to the annuity savings fund and
c. 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2000 Employees table projected 20 years with Scale AA (gender distinct)
 - Post-retirement – reflects Health Annuitant table projected 15 years with Scale AA (gender distinct)
 - Disability – Reflects mortality rate is assumed to be in accordance with RE-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(f) Long-Term Expected Rate of Return

Investment assets of MSERS 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, 2014 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	43.0	7.20
Core fixed income	13.0	2.50
Hedge funds	10.0	5.50
Private equity	10.0	8.80
Real estate	10.0	6.30
Value Added Fixed Income	10.0	6.30
Timber/Natural Resources	4.0	5.00

(g) Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

The following presents the District’s proportionate share of net pension liability calculated using the discount rate of 8.0 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease <u>(7.0%)</u>	Current Discount Rate <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
District's proportionate share of the net pension liability	\$ 6,761	\$ 4,670	\$ 2,875

(8) Other Postemployment Benefits (OPEB)

(a) Plan Description - City

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

The number of participants as of July 1, 2013, the latest actuarial valuation, is as follows:

Active employees	4,204
Retired employees, beneficiaries and dependents	<u>5,312</u>
Total	<u><u>9,516</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(b) Funding Policy - City

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes 100% towards a \$5 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

(c) Annual OPEB Cost and Net OPEB Obligation - City

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

	<u>Amount</u>
Annual required contribution	\$ 48,272
Interest on net OPEB obligation	8,966
Adjustment to annual required contribution	<u>(7,472)</u>
Annual OPEB cost	49,766
Contributions made	<u>(23,986)</u>
Increase in net OPEB obligation	25,780
Net OPEB obligation at beginning of year	<u>224,157</u>
Net OPEB obligation at end of year	<u>\$ 249,937</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed (%)</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2013	\$ 40,966	49.7 %	\$ 199,465
June 30, 2014	47,823	48.4	224,157
June 30, 2015	49,766	48.2	249,937

(d) Funded Status and Funding Progress - City

The funded status of the Plan at July 1, 2013, the most recent actuarial valuation, was as follows:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(A)</u>	<u>Actuarial</u> <u>Liability (AAL)</u> <u>Projected Unit</u> <u>Credit</u> <u>(B)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(B-A)</u>	<u>Funded</u> <u>Ratio</u> <u>(A/B)</u>	<u>Covered</u> <u>Payroll</u> <u>(C)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((B-A)/C)</u>
07/01/13	\$ -	\$ 727,823	\$ 727,823	0.0%	\$ 334,070	218%

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 funded status of the plan and the annual required contributions 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(e) Methods and Assumptions - City

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

Valuation date:	July 1, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Increasing at 4% over 30 years on an open amortization period for pay-as-you-go funding
Remaining amortization period:	30 years as of July 1, 2013 (open period)
Discount rate/investment rate of return:	4.0%
Inflation rate:	3.0%
Healthcare/Medical cost trend rate:	7.0% decreasing 0.5% for 4 years to an ultimate level of 5.0% per year

(f) Allocation of AOPEBC - City

AOPEBC costs were allocated to the City's functions as follows:

Governmental Activities:

General government	\$ 2,391
Public safety	13,758
Health and human services	206
Education	28,965
Public works	1,597
Culture and recreation	<u>1,179</u>
Total AOPEBC - governmental activities	<u>48,096</u>

Business-Type Activities:

Water	1,103
Sewer	536
Golf course (nonmajor)	<u>31</u>
Total AOPEBC - business-type activities	<u>1,670</u>
Total AOPEBC	<u>\$ 49,766</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(g) Plan Description – The District

The District provides health and life insurance benefits to retired employees and their survivors through the Commonwealth’s Group Insurance Commission (GIC), a cost-sharing multiple employer plan (hereinafter referred to as the “Plan”). Specific benefit provisions and contribution rates are established by GIC. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2015, the latest actuarial valuation, is as follows:

Active employees	44
Retired employees, beneficiaries and dependents	<u>24</u>
Total	<u><u>68</u></u>

(h) Funding Policy – The District

The contribution requirements of Plan members and the District are established and may be amended by the GIC. Ten to fifteen percent of contributions are paid by retirees. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. In addition, the GIC has not charged the District for the cost of benefits paid on behalf of retirees and their survivors. This “on-behalf of” payment is estimated at \$197 for fiscal 2015 and has been included in these financial statements as revenue. The costs of administering the Plan are paid by the District.

(i) Annual OPEB Cost and Net OPEB Obligation – The District

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the District’s net OPEB obligation:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

	<u>Amount</u>
Annual required contribution	\$ 359
Interest on net OPEB obligation	78
Adjustment to annual required contribution	<u>(69)</u>
Annual OPEB cost	368
Contributions made (by state)	<u>(197)</u>
Increase in net OPEB obligation	171
Net OPEB obligation at beginning of year	<u>2,236</u>
Net OPEB obligation at end of year	<u>\$ 2,407</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed (%)</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2013	\$ 403	51.2 %	\$ 2,060
June 30, 2014	417	57.7	2,236
June 30, 2015	368	53.7	2,407

(j) Funded Status and Funding Progress – The District

The funded status of the Plan at June 30, 2015, the most recent actuarial valuation, was as follows:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(A)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(B)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(B-A)</u>	<u>Funded</u> <u>Ratio</u> <u>(A/B)</u>	<u>Covered</u> <u>Payroll</u> <u>(C)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Payroll</u> <u>((B-A)/C)</u>
06/30/15	\$ -	\$ 8,637	\$ 8,637	0.0%	\$ 3,292	262%

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(k) *Methods and Assumptions – The District*

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

Valuation date:	June 30, 2015
Actuarial cost method:	Projected Unit Credit
Amortization period:	30 year level percent of pay assuming 4.0% increasing, opening basis
Interest discount rate:	3.5%
Inflation rate:	4.0%
Healthcare/Medical cost trend rate:	5.0% initially reduced to 4.5% for 2016 and after

(9) *Accounts Receivable*

At June 30, 2015, 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:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Governmental Funds			
Property taxes	\$ 10,819	(5,236)	5,583
Tax liens	4,156	(414)	3,742
Motor vehicle excise taxes	6,381	(4,157)	2,224
Special assessments	3,333	-	3,333
Departmental and other	<u>5,294</u>	<u>(2,723)</u>	<u>2,571</u>
	29,983	(12,530)	17,453
Intergovernmental	<u>47,235</u>	<u>-</u>	<u>47,235</u>
Total governmental funds	<u>77,218</u>	<u>(12,530)</u>	<u>64,688</u>
Internal Service Fund			
Self-insured health plan	<u>1,211</u>	<u>-</u>	<u>1,211</u>
Total internal service fund	<u>1,211</u>	<u>-</u>	<u>1,211</u>
Fiduciary Fund			
Departmental and other	10,218	-	10,218
Intergovernmental	<u>598</u>	<u>-</u>	<u>598</u>
Total fiduciary funds	<u>10,816</u>	<u>-</u>	<u>10,816</u>
Total receivables	\$ <u>89,245</u>	<u>(12,530)</u>	<u>76,715</u>

At June, 30, 2015, receivables for the enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services	\$ 13,556	-	13,556
Utility liens	1,700	-	1,700
Special assessments	<u>750</u>	<u>-</u>	<u>750</u>
Total enterprise funds	\$ <u>16,006</u>	<u>-</u>	<u>16,006</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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	Other	
	Fund	Governmental	
		Funds	Total
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-school construction reimbursement			
Intergovernmental (school construction)	\$ 40,246	-	40,246
Unavailable revenue-property taxes			
Property taxes	3,867	-	3,867
Tax liens	3,742	-	3,742
	<u>7,609</u>	<u>-</u>	<u>7,609</u>
Unavailable revenue-other			
Special assessments	3,333	-	3,333
Departmental and other	1,410	1,161	2,571
Motor vehicle excise tax	1,268	-	1,268
Intergovernmental (other state)	1,513	-	1,513
	<u>7,524</u>	<u>1,161</u>	<u>8,685</u>
Total deferred inflows of resources	\$ <u>55,379</u>	<u>1,161</u>	<u>56,540</u>

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2015, \$11,575 of such assistance was received. Approximately \$49,609 will be received in future fiscal years. Of this amount, \$9,363 represents reimbursement of long-term interest costs, and \$40,246 represents reimbursement of approved construction costs. Accordingly, a \$40,246 intergovernmental receivable and corresponding deferred inflow of resources have been reported in the governmental funds financial statements. The deferred inflow of resources has been recognized as revenue in the conversion to the government-wide financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(10) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 20,860	928	-	21,788
Construction in progress	138,183	41,563	13,098	166,648
Total capital assets not being depreciated	<u>159,043</u>	<u>42,491</u>	<u>13,098</u>	<u>188,436</u>
Capital assets, being depreciated:				
Buildings	605,311	7,442	-	612,753
Improvements other than buildings	43,604	10,182	-	53,786
Rolling equipment	29,893	1,318	1,317	29,894
Equipment and other	23,295	454	-	23,749
Infrastructure	238,555	10,134	-	248,689
	<u>940,658</u>	<u>29,530</u>	<u>1,317</u>	<u>968,871</u>
Less accumulated depreciation for:				
Buildings	243,156	18,411	-	261,567
Improvements other than buildings	12,124	2,337	-	14,461
Rolling equipment	24,783	1,155	1,317	24,621
Equipment and other	15,201	1,693	-	16,894
Infrastructure	120,640	10,187	-	130,827
	<u>415,904</u>	<u>33,783</u>	<u>1,317</u>	<u>448,370</u>
Total capital assets being depreciated, net	<u>524,754</u>	<u>(4,253)</u>	<u>-</u>	<u>520,501</u>
Governmental capital assets, net	\$ <u>683,797</u>	<u>38,238</u>	<u>13,098</u>	<u>708,937</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

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

Governmental activities:	
General government	\$ 67
Public safety	1,455
Public works	12,031
Education	12,954
Health and human services	219
Culture and recreation	<u>7,057</u>
Total depreciation expense – governmental activities	\$ <u><u>33,783</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	\$ 6,371	-	-	6,371
Construction in progress	<u>898</u>	<u>113</u>	<u>379</u>	<u>632</u>
Total capital assets, not being depreciated	<u>7,269</u>	<u>113</u>	<u>379</u>	<u>7,003</u>
Capital assets, being depreciated:				
Buildings	43,627	221	-	43,848
Rolling equipment	2,806	310	-	3,116
Infrastructure	152,961	3,994	-	156,955
Equipment and other	<u>533</u>	<u>342</u>	<u>-</u>	<u>875</u>
Total capital assets, being depreciated	<u>199,927</u>	<u>4,867</u>	<u>-</u>	<u>204,794</u>
Less accumulated depreciation for:				
Buildings	19,802	1,237	-	21,039
Rolling equipment	2,055	165	-	2,220
Infrastructure	68,170	5,254	-	73,424
Equipment and other	<u>217</u>	<u>76</u>	<u>-</u>	<u>293</u>
Total accumulated depreciation	<u>90,244</u>	<u>6,732</u>	<u>-</u>	<u>96,976</u>
Total capital assets, being depreciated, net	<u>109,683</u>	<u>(1,865)</u>	<u>-</u>	<u>107,818</u>
Water capital assets, net	<u>116,952</u>	<u>(1,752)</u>	<u>379</u>	<u>114,821</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Construction in progress	9,530	7,526	7,497	9,559
Total capital assets, not being depreciated	<u>9,647</u>	<u>7,526</u>	<u>7,497</u>	<u>9,676</u>
Capital assets, being depreciated:				
Buildings	5,459	-	-	5,459
Rolling equipment	6,729	932	-	7,661
Infrastructure	179,492	15,472	-	194,964
Equipment and other	516	-	-	516
Total capital assets, being depreciated	<u>192,196</u>	<u>16,404</u>	<u>-</u>	<u>208,600</u>
Less accumulated depreciation for:				
Buildings	2,072	216	-	2,288
Rolling equipment	4,012	542	-	4,554
Infrastructure	86,984	6,391	-	93,375
Equipment and other	290	47	-	337
Total accumulated depreciation	<u>93,358</u>	<u>7,196</u>	<u>-</u>	<u>100,554</u>
Total capital assets, being depreciated, net	<u>98,838</u>	<u>9,208</u>	<u>-</u>	<u>108,046</u>
Sewer capital assets, net	<u>108,485</u>	<u>16,734</u>	<u>7,497</u>	<u>117,722</u>
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	5	-	5	-
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	1,710	-	-	1,710
Total capital assets, being depreciated	<u>2,676</u>	<u>-</u>	<u>-</u>	<u>2,676</u>
Less accumulated depreciation for:				
Buildings	318	43	-	361
Infrastructure	833	94	-	927
Total accumulated depreciation	<u>1,151</u>	<u>137</u>	<u>-</u>	<u>1,288</u>
Total capital assets, being depreciated, net	<u>1,525</u>	<u>(137)</u>	<u>-</u>	<u>1,388</u>
Golf capital assets, net	<u>1,530</u>	<u>(137)</u>	<u>5</u>	<u>1,388</u>
Business-type activities capital assets, net	<u>\$ 226,967</u>	<u>14,845</u>	<u>7,881</u>	<u>233,931</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

	<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	\$ 702	-	-	702
Construction in progress	<u>1,304</u>	<u>1,565</u>	<u>2,083</u>	<u>786</u>
Total capital assets, not being depreciated	<u>2,006</u>	<u>1,565</u>	<u>2,083</u>	<u>1,488</u>
Capital assets, being depreciated:				
Treatment facilities	249,367	1,983	-	251,350
Equipment and other	<u>7,798</u>	<u>353</u>	<u>-</u>	<u>8,151</u>
Total capital assets, being depreciated	<u>257,165</u>	<u>2,336</u>	<u>-</u>	<u>259,501</u>
Less accumulated depreciation for:				
Treatment facilities	74,261	9,118	-	83,379
Equipment and other	<u>4,171</u>	<u>403</u>	<u>-</u>	<u>4,574</u>
Total accumulated depreciation	<u>78,432</u>	<u>9,521</u>	<u>-</u>	<u>87,953</u>
Total capital assets, being depreciated, net	<u>178,733</u>	<u>(7,185)</u>	<u>-</u>	<u>171,548</u>
The District's capital assets, net	<u>\$ 180,739</u>	<u>(5,620)</u>	<u>2,083</u>	<u>173,036</u>
Discretely presented component units - WRA:				
Capital assets, not being depreciated				
Land	\$ 1,270	-	-	1,270
Construction in progress	<u>102</u>	<u>299</u>	<u>-</u>	<u>401</u>
Total capital assets, not being depreciated	<u>1,372</u>	<u>299</u>	<u>-</u>	<u>1,671</u>
Capital assets, being depreciated:				
Buildings	40,197	-	-	40,197
Equipment and other	<u>176</u>	<u>-</u>	<u>-</u>	<u>176</u>
Total capital assets, being depreciated	<u>40,373</u>	<u>-</u>	<u>-</u>	<u>40,373</u>
Less accumulated depreciation for:				
Buildings	12,941	1,030	-	13,971
Equipment and other	<u>118</u>	<u>5</u>	<u>-</u>	<u>123</u>
Total accumulated depreciation	<u>13,059</u>	<u>1,035</u>	<u>-</u>	<u>14,094</u>
Total capital assets, being depreciated, net	<u>27,314</u>	<u>(1,035)</u>	<u>-</u>	<u>26,279</u>
WRA capital assets, net	<u>\$ 28,686</u>	<u>(736)</u>	<u>-</u>	<u>27,950</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2015. 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, 2015</u>	<u>Remaining commitment</u>
Infrastructure improvements	\$ 91,429	46,767
Building improvements	33,429	48,189
Land improvements	6,622	602
Total	<u>\$ 131,480</u>	<u>95,558</u>

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

(11) Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015 is summarized as follows:

Governmental Activities

Capital assets	\$ 1,157,307
Less accumulated depreciation	(448,370)
Less outstanding long-term debt (including capital leases)	(483,612)
Less outstanding temporary debt	(46,393)
Add outstanding debt that is not capital related	156,598
Add unspent proceeds of capital related debt	<u>26,147</u>
Net investment in capital assets	<u>\$ 361,677</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 211,797	218,276	2,676	432,749
Less accumulated depreciation	(96,976)	(100,554)	(1,288)	(198,818)
Less outstanding long-term debt	(60,630)	(80,446)	(1,585)	(142,661)
Less outstanding temporary debt	(5,840)	(11,946)	-	(17,786)
Add unspent proceeds of capital related debt	<u>5,028</u>	<u>10,086</u>	<u>78</u>	<u>15,192</u>
Net investment in capital assets	<u>\$ 53,379</u>	<u>35,416</u>	<u>(119)</u>	<u>88,676</u>

(12) Lease Obligations

(a) Capital Lease

The City entered into a lease agreement as lessee for financing the acquisition of computer equipment for schools valued at \$5,609. The equipment has a five-year estimated useful life. This year, \$1,122 was included in depreciation expense. The net book value of the equipment is \$3,926. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 1,209
2017	1,209
2018	1,209
2019	<u>604</u>
Total minimum lease payments	4,231
Less: amount representing interest	<u>(244)</u>
Present value of minimum lease payments	<u>\$ 3,987</u>

The portion of the capital lease that is due within one year is \$1,094 and amounts due in more than one year total \$2,893.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(b) Operating Lease

The City currently conducts part of its student transportation operations from a leased facility and bus yard under a non-cancelable operating lease. Total costs for the lease was \$169 for the year ended June 30, 2015, including \$159 for the lease and \$10 for utilities. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 159
2017	159
2018	<u>159</u>
Total	<u>\$ 477</u>

The City currently leases premises for use as a public school facility for approximately 100 students of the City's alternative school program under a non-cancelable operating lease. Total costs for the lease was \$54 for the year ended June 30, 2015. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 54
2017	54
2018	54
2019	54
2020	<u>54</u>
Total	<u>\$ 270</u>

The City currently leases premises for use as a public school facility under a non-cancelable operating lease. Total costs for the lease was \$90 for the year ended June 30, 2015. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 94
Total	<u>\$ 94</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

The City currently leases premises for gymnasium use by a public school under a non-cancelable operating lease. Total costs for the lease was \$47 for the year ended June 30, 2015. Future minimum lease payments for the lease are as follows:

Year ending June 30:	<u>Amount</u>
2016	\$ 47
2017	47
2018	47
2019	48
2020	<u>49</u>
Total	<u>\$ 238</u>

(13) 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.

	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:					
Inside debt limit	\$ 198,497	31,862	29,187	201,172	22,928
Outside debt limit	282,948	17,133	23,844	276,237	22,960
Notes payable – HUD Sec 108	4,164	-	1,948	2,216	131
Capital lease payable	5,048	-	1,061	3,987	1,094
Judgments and claims	11,587	5,372	2,731	14,228	2,851
Compensated absences	13,011	8,541	8,536	13,016	8,501
Landfill closure and post closure care costs	4,724	-	59	4,665	-
Net pension liability	317,444	34,296	-	351,740	-
Other post employment benefits	218,374	48,096	23,986	242,484	-
Deferred amounts on bond premium	<u>7,877</u>	<u>6,386</u>	<u>1,602</u>	<u>12,661</u>	<u>1,528</u>
	<u>\$ 1,063,674</u>	<u>151,686</u>	<u>92,954</u>	<u>1,122,406</u>	<u>59,993</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

Business-Type Activities

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

	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:					
Inside debt limit	\$ 10,608	3,497	2,312	11,793	1,738
Outside debt limit	126,669	27,746	25,497	128,918	12,751
MCWT notes payable	1,480	562	92	1,950	115
Judgments and claims	2,760	423	731	2,452	377
Compensated absences	730	557	578	709	568
Net pension liability	19,759	2,134	-	21,893	-
Other post employment benefits	5,783	1,670	-	7,453	-
Deferred amounts on bond premium	38	-	6	32	6
	<u>\$ 167,827</u>	<u>36,589</u>	<u>29,216</u>	<u>175,200</u>	<u>15,555</u>

On December 15, 2014 the City issued \$80,239 of general obligation bonds of which \$60,009 was bonds issued for current projects and \$20,230 was refunding debt. The proceeds consisted of \$48,996 for governmental activities of which \$7,407 was refunding bonds issued and \$31,243 for business-type activities of which \$12,823 was refunding bonds issued. Additionally, \$562 of short term notes from the Massachusetts Clean Water Trust was converted to long term 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 20 years. General obligation bonds of the primary government outstanding at June 30, 2015 are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Governmental Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2015
1996 Medical City Project Loan of 1996, Series B	\$ 8,500	5.75%	2017	\$ 850
1998 General Obligation Bonds, Pension Funding Loan	220,979	6.25%	2028	145,170
2001 General Obligation Bonds	26,685	5.25% to 5.41%	2021	1,995
2002 General Obligation Bonds, Series A	18,365	4.00% to 5.00%	2023	4,969
2002 General Obligation Bonds, Series B	8,000	4.25% to 4.625%	2021	2,415
2003 General Obligation Refunding Bonds, Series A	3,642	5.00%	2016	320
2003 General Obligation Bonds, Series C	17,670	3.30% to 4.00%	2024	2,458
2003 General Obligation Bonds, Series D	5,965	4.125% to 5.80%	2023	2,445
2004 General Obligation Bonds	43,110	4.50% to 5.25%	2025	14,360
2004 General Obligation Refunding Bonds, Series B	18,331	4.00%	2017	755
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	23,070
2005 General Obligation Refunding Bonds, Series B	22,198	5.00%	2019	10,897
2005 General Obligation Bonds, Series C	46,125	4.00% to 4.125%	2026	23,793
2005 General Obligation Bonds, Series D, Centrum/Union Station	8,730	5.00% to 5.30%	2023	830
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	6,307
2007 General Obligation Bonds, Parking Garage	4,750	5.28% to 5.45%	2019	1,920
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	9,221
2008 General Obligation Bonds, Series A	27,422	3.75% to 5.25%	2029	12,888
2009 General Obligation Refunding Airport Bonds	2,345	2.50%	2016	410
2009 General Obligation Bonds	25,905	3.50% to 5.00%	2038	17,123
2010 General Obligation Bonds, Series A	19,850	3.00% to 4.25%	2036	12,376
2010 DCU Special Improvement District Bonds, Series B	5,050	5.75% to 6.75%	2035	4,615
2011 General Obligation School Bond	10,000	2.00%	2041	8,667
2011 General Obligation Refunding	7,585	2.50% to 3.00%	2022	4,463
2011 General Obligation Bonds, Series A	21,057	3.00% to 4.25%	2037	14,722
2011 General Obligation Bonds, Series B DCU Special District	1,005	3.75% to 5.00%	2029	910
2011 General Obligation Bonds, Series B Foley Stadium	961	3.75% to 5.00%	2029	665
2012 District Improvement Financing Bonds	6,485	3.00% to 5.00%	2040	6,845
2012 General Obligation Bonds	48,150	3.00% to 4.00%	2038	41,448
2013 General Obligation Refunding	3,016	3.00% to 5.00%	2024	2,648
2013 General Obligation Bonds	52,492	3.00% to 5.00%	2039	48,859
2014 General Obligation Bonds, Series A	27,609	3.00% to 5.00%	2040	27,609
2014 DCU Special Improvement District Bonds, Series B	13,979	3.125% to 4.25%	2039	13,979
2014 General Obligation Refunding Bonds, Series A	4,212	2.00% to 5.00%	2040	4,212
2014 General Obligation Refunding Bonds, Series C	3,195	2.00% to 5.00%	2025	3,195
				\$ <u>477,409</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Business-Type Activities

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2015
2002 General Obligation Bonds, Series A	\$ 7,325	4.00% to 5.00%	2023	\$ 3,416
2003 General Obligation Refunding Bonds, Series A	4,773	5.00%	2016	2,599
2003 General Obligation Bonds, Series C	7,945	3.30% to 4.00%	2024	17
2004 General Obligation Refunding Bonds, Series B	11,254	4.00%	2017	1,055
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	7,115
2005 General Obligation Refunding Bonds, Series B	22,198	5.00%	2019	2,563
2005 General Obligation Bonds, Series C	11,550	4.00% to 4.125%	2026	5,882
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	323
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	8,524
2008 General Obligation Bonds, Series A	13,868	3.00% to 5.25%	2029	8,307
2009 General Obligation Bonds	12,190	3.50% to 5.00%	2038	8,868
2010 General Obligation Bonds, Series A	12,805	3.00% to 4.25%	2036	10,129
2011 General Obligation Refunding	9,170	2.50% to 3.00%	2022	2,562
2011 General Obligation Bonds, Series A	10,240	3.00% to 4.25%	2037	8,778
2012 General Obligation Bonds	23,983	3.00% to 4.00%	2038	21,767
2013 General Obligation Refunding	3,444	3.00% to 5.00%	2024	3,147
2013 General Obligation Bonds	14,995	3.00% to 5.00%	2039	14,416
2014 General Obligation Bonds, Series A	18,420	2.00% to 5.00%	2040	18,420
2014 General Obligation Refunding Bonds, Series A	9,248	2.00% to 5.00%	2040	9,248
2014 General Obligation Refunding Bonds, Series C	3,575	2.00% to 5.00%	2025	3,575
				\$ <u><u>140,711</u></u>

Notes Payable

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$2,216. The City also has loan agreements with the Massachusetts Clean Water Trust (MCWT) to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of \$1,950.

Governmental Activities – Loans Payable HUD Section 108

2015 - A series loan	\$ 2,030	2.50% to 2.85%	2025	\$ 2,030
2015 - A series loan	186	0.88% to 0.93%	2018	186
				\$ <u><u>2,216</u></u>

Business-Type Activities – Loans payable MCWT

2006 clean water loan to sewer enterprise fund	\$ 949	4.90%	2024	\$ 574
2014 clean water loan to sewer enterprise fund	851	2.00%	2033	814
2015 clean water loan to sewer enterprise fund	562	2.00%	2035	562
				\$ <u><u>1,950</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(c) Maturity of Bond Indebtedness-Primary Government

Bond indebtedness outstanding at June 30, 2015 matures as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>			
	<u>Governmental Funds</u>		<u>Water</u>		<u>Sewer</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2016	\$ 45,888	21,975	9,286	2,289	5,036	3,034
2017	43,368	19,967	6,662	1,947	4,764	2,834
2018	40,176	18,017	5,117	1,698	4,676	2,636
2019	37,343	16,192	4,257	1,500	4,420	2,446
2020	34,012	14,457	3,388	1,331	3,943	2,276
2021-2025	148,453	49,640	13,381	4,797	20,123	8,820
2026-2030	87,979	17,043	8,531	2,572	15,423	5,100
2031-2035	24,849	5,355	5,641	1,365	11,468	2,781
2036-2040	15,008	1,219	4,367	334	8,643	663
2041	333	7	-	-	-	-
	<u>\$ 477,409</u>	<u>163,872</u>	<u>60,630</u>	<u>17,833</u>	<u>78,496</u>	<u>30,590</u>

	<u>Business-type activities</u>		<u>Business-type</u>	
	<u>Golf course (nonmajor)</u>		<u>activities totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2016	\$ 167	58	14,489	5,381
2017	169	53	11,595	4,834
2018	174	46	9,967	4,380
2019	179	39	8,856	3,985
2020	181	32	7,512	3,639
2021-2025	380	105	33,884	13,722
2026-2030	229	36	24,183	7,708
2031-2035	63	13	17,172	4,159
2036-2040	43	4	13,053	1,001
2041	-	-	-	-
	<u>\$ 1,585</u>	<u>386</u>	<u>140,711</u>	<u>48,809</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

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Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MCWT loans as of June 30, 2015 are as follows:

	<u>Governmental activities</u>	
	<u>General fund</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2016	\$ 131	34
2017	138	49
2018	145	48
2019	84	47
2020	88	46
2021-2025	<u>1,630</u>	<u>179</u>
	<u>\$ 2,216</u>	<u>403</u>

	<u>Business-type activities</u>					
	<u>Sewer</u>				<u>Business-type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Anticipated subsidy</u>		<u>activities totals (net)</u>	
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2016	\$ 115	54	-	14	115	40
2017	117	49	-	13	117	36
2018	122	44	-	12	122	33
2019	124	40	-	11	124	29
2020	130	36	-	10	130	25
2021-2025	<u>630</u>	<u>112</u>	<u>12</u>	<u>19</u>	<u>618</u>	<u>93</u>
2026-2030	<u>390</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>390</u>	<u>53</u>
2031-2035	<u>322</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>15</u>
	<u>\$ 1,950</u>	<u>403</u>	<u>12</u>	<u>79</u>	<u>1,938</u>	<u>324</u>

(d) Authorized and Unissued Debt

The City 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 but subject to other limitations.

CITY OF WORCESTER, MASSACHUSETTS

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June 30, 2015

(In thousands of dollars)

Authorized and unissued debt at June 30, 2015 is as follows:

Inside debt limit:		
School and citywide building ESCO projects	\$	61,816
Building rehabilitation		60,696
School construction - Nelson Place		58,265
School construction - North High		48,120
Street construction		26,285
Union Station garage		17,835
Parks improvements		14,000
Departmental equipment		12,916
Courthouse rehabilitation		4,000
Street signage and wayfinding improvements		3,000
Blackstone Valley Visitors' Center		2,910
Sewer building rehabilitation		2,175
Off-street parking		2,015
Major Taylor Garage Walkway		1,850
Dam improvements		1,375
Sewer equipment		1,251
Water building rehabilitation		1,175
Urban Systems Gateway		965
Street lights		550
Land acquisition		525
Greenhill Golf Course infrastructure		500
Traffic signals		460
Vocational School construction		410
South Worcester Industrial Park		350
Building demolition		268
Bridge construction		250
Greenhill Golf Course access road		80
Total inside debt limit		<u>324,042</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Outside debt limit:	
CitySquare	70,925
Sewer construction	48,210
DCU Center building improvements	30,000
Water mains	12,630
Reservoir rehabilitation	7,360
Surface drain construction	3,185
Water filtration	3,035
Solar filtration	1,434
Water equipment	993
Watershed land	900
Greenhill Golf Course design	855
Water hydrants	650
December ice storm 2008	575
Water Meters	500
Greenhill Golf Course facilities	195
Total outside debt limit	<u>181,447</u>
Total inside and outside debt limit	<u>\$ 505,489</u>

At June 30, 2015, in addition to debt authorized but unissued, the City may issue \$43,790 of additional general obligation debt under the normal debt limit. The City had \$405,155 of outstanding debt exempt from the debt limit.

(e) Current Refunding

On December 15, 2014, the City issued \$20,230 in current refunding bonds to redeem \$22,285 of previously issued and outstanding bonds. The current refunding was issued in two components; \$6,770 of refunding bonds with a true interest cost of 1.87% (inclusive of premium) to redeem \$7,220 of 2004 General Obligation Bonds with a true interest cost of 3.452% and \$13,460 of refunding bonds with a true interest cost of 2.25% (inclusive of premium) to redeem \$15,065 of 2006 General Obligation Bonds with a true interest cost of 4.086%. The net proceeds from the current refunding, including premiums received from the sale, were used to redeem the outstanding bonds and the related accrued interest. As a result of this refunding, the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$2,517 and will realize an economic gain of approximately \$2,231.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(f) *Outstanding Defeased Debt*

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of 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, 2015, \$60,895 of bonds outstanding is considered defeased.

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

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital assets.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The bonds are generally issued as 20-30 year serial bonds with varying amounts of principal maturing each year. The District's last bond rating was A1.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Long-term obligations consisted of the following at June 30, 2015:

1997 General Obligation Bonds issued to the Massachusetts Clean Water Trust (MCWT). The bonds are payable in varying principal amounts at an average coupon rate of 5.528% with a final payment due February 1, 2017.	\$ 1,820
1999 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts at an average coupon rate of 5.253% with a final payment due February 1, 2020.	335
2001 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts at an average coupon rate of 5.098% with a final payment due February 1, 2021.	185
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.139% with a final payment due March 15, 2023.	5,580
2004 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034. The bonds were advance refunded by the Trust during 2007.	35,984
2007 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts with interest at 2.345% with a final payment due July 15, 2034.	4,841
2007 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts with interest at 2.302% with a final payment due July 15, 2036.	20,909
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.934%.	4,045
2007 General Obligation Bonds issued to the MCWT. The bonds are payable in varying principal amounts with interest at 2.414% with a final payment due July 15, 2037.	9,940
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.158% with a final payment due May 1, 2028.	5,915
2009 General Obligation Bonds issued to the MCWT. The bonds are in varying principal payable amounts with interest at 2.421% with a final payment due July 15, 2038.	19,719
2011 General Obligation Bonds issued to the MCWT. The bonds are payable in varying annual installments with interest at 2.40% with a final payment due May 1, 2040.	19,742
2011 General Obligation Bonds issued to the MCWT. The bonds are payable in varying annual installments with interest at 2.40% with a final payment due May 1, 2040.	6,581
2012 General Obligation Bonds issued to the MCWT. The bonds are payable in varying annual installments with interest at 2.00% with a final payment due July 15, 2032. During the year the original bond principal was reduced \$996 by the Trust.	18,265
2012 General Obligation Bonds payable in varying principal amounts at an average coupon rate of 3.666% with a final payment due April 15, 2032.	3,535
Unamortized bond premiums	1,195
Net pension liability	4,670
OPEB net obligation	2,407
Accrued sick leave	366
Total long-term obligations	<u>166,034</u>
Less portion due within one year	<u>(7,638)</u>
Amount due in more than one year	<u>\$ 158,396</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

Year ending June 30:	Gross payments			Anticipated subsidy	Net payments
	Principal	Interest	Total		
2016	\$ 7,520	4,844	12,364	1,082	11,282
2017	7,752	4,559	12,311	1,037	11,274
2018	7,045	4,278	11,323	695	10,628
2019	7,267	4,037	11,304	674	10,630
2020	7,492	3,790	11,282	652	10,630
2021-2025	34,051	15,473	49,524	2,809	46,715
2026-2030	35,335	9,584	44,919	2,311	42,608
2031-2035	35,202	3,970	39,172	1,734	37,438
2036-2040	14,387	862	15,249	-	15,249
2041	1,345	16	1,361	-	1,361
	<u>\$ 157,396</u>	<u>51,413</u>	<u>208,809</u>	<u>10,994</u>	<u>197,815</u>

(h) Discretely Presented Component Units – WRA

On March 24, 1997, the WRA and City entered into a Cooperation Agreement (Agreement) concerning funding initiatives of the WRA. On December 14, 2000, the WRA voted to authorize the execution of any legal document in any effort to secure the repayment to the City of any funds the City may provide to finance the WRA’s initiatives. Pursuant to the Agreement and the vote of the WRA on December 14, 2000, the WRA and City have executed several amendments to the Agreement whereby the City has agreed to loan the WRA various amounts at varying interest rates (ranging from 3.04% to 4.9%) and maturity dates (ranging from June 30, 2016 through June 30, 2017).

Details related to notes payable to the City at June 30, 2015, are as follows:

Project	Outstanding at June 30, 2014	Additions	Reductions	Outstanding at June 30, 2015
Union Station - Building Fit Out	\$ 3,155	191	-	3,346
Union Station - Operating	4,236	471	-	4,707
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	-	69	-	69
Total	<u>\$ 7,954</u>	<u>731</u>	<u>-</u>	<u>8,685</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Debt service requirements in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 8,215	2,090	10,305
2017	470	42	512
Total	<u>\$ 8,685</u>	<u>2,132</u>	<u>10,817</u>

In addition to notes payable of \$8,685, the WRA also has accrued interest payable due in fiscal year 2016 of \$74 for total noncurrent liabilities of \$8,759.

(14) 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, 2015 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$602.

At June 30, 2015, BANS totaling \$63,256 with interest rates of 1.00% to 1.50% and maturing December 17-18, 2015 were outstanding and a BAN totaling \$923 with interest rate of 0.10% and maturing February 17, 2016 was outstanding.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

The following is a summary of changes in temporary loans:

	Outstanding as of June 30, 2014	Additions	Reductions	Outstanding as of June 30, 2015
Bond anticipation notes payable:				
General	\$ 53,344	46,393	53,344	46,393
Water	6,330	5,840	6,330	5,840
Sewer	12,531	11,946	12,531	11,946
Golf course (nonmajor)	120	-	120	-
Total	<u>\$ 72,325</u>	<u>64,179</u>	<u>72,325</u>	<u>64,179</u>

(b) Discretely Presented Component Units – The District

The District issues bond anticipation notes payable as preliminary financing for major capital additions. BAN activity for the year ended June 30, 2015 was as follows:

	Outstanding as of June 30, 2014	Additions	Reductions	Outstanding as of June 30, 2015
Bond Anticipation Note	\$ <u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

(15) Interfund Receivables, Payables and Transfers

At June 30, 2015, there was a receivable and payable between the general fund and nonmajor governmental funds, respectively, in the amount of \$190 for a temporary cash advance.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Transfers and their purposes during the year ended June 30, 2015 were as follows:

	Governmental Funds					Proprietary Funds		
	General Fund	Debt Service Fund	DCU Center Construction Fund	Rehabilitation of Public Buildings	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget								
General fund - to fund debt payments	\$ (13,652)	13,652	-	-	-	-	-	-
General fund - transfer to fund DCU obligations	(318)	-	-	-	318	-	-	-
Chapter 90 - to fund DPW engineering and street ops.	418	-	-	-	(418)	-	-	-
General fund - tax levy subsidy of golf fund	(150)	-	-	-	-	-	-	150
Construction permits - to fund DPW engineering	145	-	-	-	(145)	-	-	-
Sewer connection fees - to fund DPW engineering	118	-	-	-	(118)	-	-	-
Parking - to fund DPW engineering	353	-	-	-	(353)	-	-	-
Parking - to fund parking operations	121	-	-	-	(121)	-	-	-
FEMA reserve fund - prior year receipts to general fund operations	800	-	-	-	(800)	-	-	-
Debt service fund - to promote tourism	500	(500)	-	-	-	-	-	-
Premium on loans - to fund debt service in general fund	2,200	-	-	-	(2,200)	-	-	-
Cemetery trust to fund cemetery debt	16	-	-	-	(16)	-	-	-
Golf fund - to fund pension obligation bonds	20	-	-	-	-	-	-	(20)
Sewer fund - to fund pension obligation bonds	566	-	-	-	-	-	(566)	-
Water fund - to fund pension obligation bonds	791	-	-	-	-	(791)	-	-
Sub-total	(8,072)	13,152	-	-	(3,853)	(791)	(566)	130
Subsequent transfers:								
General fund - to special revenue fund for 911 training grants	(30)	-	-	-	30	-	-	-
General fund - to special revenue fund for communication grants	(36)	-	-	-	36	-	-	-
General fund - to special revenue fund for DCU operations	(47)	-	-	-	47	-	-	-
General fund - to fund golf operations	(78)	-	-	-	-	-	-	78
Insurance settlement fund - fire and park vehicles	21	-	-	-	(21)	-	-	-
Premium on loans - to fund bond issuance costs	453	-	-	-	(453)	-	-	-
Premium on loans - to fund debt service in general fund	2,305	-	-	-	(2,305)	-	-	-
Enterprise refunded bonds paid in general fund from premiums	(1,376)	-	-	-	-	372	992	12
General fund - transfer to fund construction permits reserve	(95)	-	-	-	95	-	-	-
Real estate sales reserve-to general fund for payment of debt	1,500	-	-	-	(1,500)	-	-	-
Real estate sales reserve-to fund land conservation restriction	-	-	-	-	114	-	-	-
Real estate sales reserve-to fund land conservation restriction	-	-	-	-	(114)	-	-	-
General fund - payoff of capital project fund's temporary loan	(1,500)	-	-	-	1,500	-	-	-
PEG access grant - to fund school grant fund	-	-	-	-	458	-	-	-
PEG access grant - to fund school grant fund	-	-	-	-	(458)	-	-	-
Real estate sales reserve-to fund bike path expenses	40	-	-	-	(40)	-	-	-
Sewer connection fees-fund sewer pumping station improvements	-	-	-	-	(70)	-	70	-
Greenwood St landfill reserve-to fund technical review of capping	-	-	-	-	458	-	-	-
Greenwood St landfill reserve-to fund technical review of capping	-	-	-	-	(458)	-	-	-
Greenwood St landfill reserve-for Greenwood Complex park	-	-	-	-	130	-	-	-
Greenwood St landfill reserve-for Greenwood Complex park	-	-	-	-	(130)	-	-	-
Greenwood St landfill reserve-for neighborhood improvements	-	-	-	-	30	-	-	-
Greenwood St landfill reserve-for neighborhood improvements	-	-	-	-	(30)	-	-	-
To transfer between capital project funds	-	-	11	(2,921)	2,910	(166)	166	-
To transfer between capital project funds	-	-	-	-	304	-	-	-
To transfer between capital project funds	-	-	-	-	(304)	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	3,117	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	(3,117)	-	-	-
Home program income reserves - to fund home grant	-	-	-	-	32	-	-	-
Home program income reserves - to fund home grant	-	-	-	-	(32)	-	-	-
Open space preservation to EcoTarium's new city science exhibit	-	-	-	-	50	-	-	-
Open space preservation to EcoTarium's new city science exhibit	-	-	-	-	(50)	-	-	-
CSX Funds to pay for signage at middle school	-	-	-	-	6	-	-	-
CSX Funds to pay for signage at middle school	-	-	-	-	(6)	-	-	-
CSX Funds to pay for van at high school	-	-	-	-	20	-	-	-
CSX Funds to pay for van at high school	-	-	-	-	(20)	-	-	-
CSX Funds to pay for playground equipment at Grafton St school	-	-	-	-	233	-	-	-
CSX Funds to pay for playground equipment at Grafton St school	-	-	-	-	(233)	-	-	-
Total transfers, net	\$ (6,915)	13,152	11	(2,921)	(3,624)	(585)	662	220

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(16) Environmental Remediation – The District

The District is currently complying with the terms of a May 1, 2014 Administrative Consent Order (AOC) with the EPA. The AOC is primarily focused on improvements to reduce effluent nitrogen and phosphorus levels. The AOC terms require complete construction and compliance with NPDES limits for all dry-weather flows by October 31, 2019; a preliminary screening evaluation of alternative technologies to meet this requirement estimated capital costs in excess of \$100,000 and increased annual O&M costs of \$2,000. The AOC also requires the District and the City of Worcester to complete an Integrated Planning report for Wet Weather Management. The outcome of the integrated planning should include proposed projects, associated costs and a prioritized schedule for implementation based on environmental benefit and ratepayer affordability.

(17) Risk Management

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

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

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice (BCBS) and BCBS Medex as well as Fallon Direct, Advantage and Senior plans and Tufts Medicare supplementary plans. The partially self-insured BCBS, Fallon and Medex plans are paid through an established internal service fund based on total claims, while the Fallon Senior and Tufts Medicare plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$225 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 provides \$5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 8.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

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

Changes in the self-insurance liability for health claims (which are reported as accrued liabilities in the internal service fund) for the years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Health claims, beginning of year	\$ 7,129	6,974
Incurred claims	81,452	77,881
Payments of claims attributable to events of the current and prior fiscal years	<u>(80,960)</u>	<u>(77,726)</u>
Health claims, end of year	<u>\$ 7,621</u>	<u>7,129</u>

Changes in judgments and claims liability for the years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Judgments and claims, beginning of year	\$ 14,347	14,354
Additions to estimated claims liability	5,795	3,000
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(632)	(325)
Workers' compensation	<u>(2,830)</u>	<u>(2,682)</u>
Judgments and claims, end of year	<u>\$ 16,680</u>	<u>14,347</u>

Judgments and claims consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Workers' compensation	\$ 11,497	10,725
Court judgments and legal settlements	<u>5,183</u>	<u>3,622</u>
	<u>\$ 16,680</u>	<u>14,347</u>

The fiscal 2015 liability for judgments and claims consist of governmental and business-type activities in the amount of \$14,228 and \$2,452, 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 net present value using a discount rate of 5.5%.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

In October, 2015 the City was ordered by the state’s Supreme Judicial Court to clean up a 4.5 acre site by replacing soil contaminated with incinerator waste material dumped prior to 1940 with new clean soil. The City currently has ongoing legal challenges related to this matter. Potential costs to the City are not reasonably estimable.

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.

(18) Fund Balances

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

	<u>General</u>	<u>CitySquare</u>	<u>Debt Service</u>	<u>DCU Center Construction</u>	<u>Rehabilitation of Public Buildings</u>	<u>Other governmental funds</u>	<u>Total Governmental Funds</u>
Nonspendable:							
Permanent fund principal.....	\$ -	-	-	-	-	12,935	12,935
Restricted:							
OPEB.....	8,425	-	-	-	-	-	8,425
School lunch.....	-	-	-	-	-	1,828	1,828
Police auxiliary.....	-	-	-	-	-	28	28
Off-street parking.....	-	-	-	-	-	226	226
City revolving funds.....	-	-	-	-	-	2,423	2,423
School grants.....	-	-	-	-	-	6,972	6,972
School revolving funds.....	-	-	-	-	-	1,358	1,358
Community development.....	-	-	-	-	-	40	40
Workforce Central.....	-	-	-	-	-	1,134	1,134
City grants.....	-	-	-	-	-	14,624	14,624
Capital.....	-	-	-	-	-	5,270	5,270
Permanent fund expendable.....	-	-	-	-	-	5,250	5,250
Sub-total - Restricted.....	<u>8,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,153</u>	<u>47,578</u>
Committed:							
Debt service.....	-	-	19,393	-	-	-	19,393
Receipts reserved.....	-	-	-	-	-	20,631	20,631
Sub-total - Committed.....	<u>-</u>	<u>-</u>	<u>19,393</u>	<u>-</u>	<u>-</u>	<u>20,631</u>	<u>40,024</u>
Unassigned.....	<u>26,823</u>	<u>(21,324)</u>	<u>-</u>	<u>(63)</u>	<u>(11,745)</u>	<u>(2,955)</u>	<u>(9,264)</u>
Total fund balances.....	\$ <u><u>35,248</u></u>	<u><u>(21,324)</u></u>	<u><u>19,393</u></u>	<u><u>(63)</u></u>	<u><u>(11,745)</u></u>	<u><u>69,764</u></u>	<u><u>91,273</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

(19) Fund Deficits

The following funds had deficits at June 30, 2015:

<u>Major Funds</u>		<u>Nonmajor Funds</u>	
		Capital Projects Funds:	
CitySquare fund	\$ 21,324	Capital Equipment	\$ 1,363
DCU Center construction fund	63	Parks improvements	1,087
Rehabilitation of Public Buildings fund	11,745	Special Revenue Funds:	
		DCU Center operations	505
		Proprietary Funds:	
		Golf Course Enterprise	643

These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

(20) Prior Period Adjustment

During the year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement requires the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

		<u>Primary government</u>				<u>Total primary government</u>
		<u>Governmental activities</u>	<u>Business-type activities</u>			
			<u>Water</u>	<u>Sewer</u>	<u>Golf</u>	
Net position - beginning - prior to adjustment	\$ 97,890	53,195	43,100	(192)	96,103	193,993
Cumulative affect of application of GASB 68	<u>(317,444)</u>	<u>(13,186)</u>	<u>(6,242)</u>	<u>(331)</u>	<u>(19,759)</u>	<u>(337,203)</u>
Net position - beginning (as restated)	\$ <u>(219,554)</u>	<u>40,009</u>	<u>36,858</u>	<u>(523)</u>	<u>76,344</u>	<u>(143,210)</u>

(21) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement No. 72, Fair Value Measurement and Application, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2015

(In thousands of dollars)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact on the financial statements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented during fiscal year 2016. Management does not believe the implementation of this Statement will materially impact the financial statements.

Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the financial statements.

These pronouncements will be implemented by their respective implementation dates.

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2015
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 258,430,545	258,875,785	255,790,862	(3,084,923)
Motor vehicle excise taxes	12,700,000	13,100,000	14,113,156	1,013,156
Penalties and interest on taxes:				
Property taxes	1,193,600	1,193,600	869,119	(324,481)
Tax titles	102,400	102,400	57,796	(44,604)
Motor vehicle excise	1,104,000	1,104,000	1,000,205	(103,795)
Special assessments	100,000	100,000	179,506	79,506
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,106,626</u>	<u>(393,374)</u>
Other taxes and in-lieu payments:				
In lieu of taxes	952,000	952,000	805,026	(146,974)
Special assessments	500,000	500,000	674,800	174,800
Meals tax	2,270,000	2,270,000	2,502,544	232,544
Hotel/motel tax	730,000	730,000	794,633	64,633
	<u>4,452,000</u>	<u>4,452,000</u>	<u>4,777,003</u>	<u>325,003</u>
Licenses and permits:				
Clerk	171,200	171,200	188,968	17,768
Inspectional Services	2,904,950	2,904,950	3,545,119	640,169
Fire	254,900	254,900	218,295	(36,605)
Health	665,105	665,105	620,551	(44,554)
License Commission:				
Liquor & common victualer	832,800	832,800	801,478	(31,322)
Other	66,800	66,800	63,817	(2,983)
Police	101,545	101,545	97,931	(3,614)
Public Works	352,700	352,700	258,909	(93,791)
	<u>5,350,000</u>	<u>5,350,000</u>	<u>5,795,068</u>	<u>445,068</u>
Intergovernmental:				
State local aid	262,220,746	261,274,500	261,569,679	295,179
State school construction aid	11,575,058	11,575,058	11,575,058	-
State school busing assistance	255,000	255,000	201,626	(53,374)
School based Federal Medicaid	3,200,000	2,800,000	2,454,413	(345,587)
Federal indirect cost reimbursements	1,510,000	1,510,000	1,692,795	182,795
	<u>278,760,804</u>	<u>277,414,558</u>	<u>277,493,571</u>	<u>79,013</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

General Fund

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Fines and forfeitures:				
Parking fines	\$ 1,819,000	1,819,000	1,688,926	(130,074)
Court fines	1,082,000	1,182,000	1,408,145	226,145
	<u>2,901,000</u>	<u>3,001,000</u>	<u>3,097,071</u>	<u>96,071</u>
Investment earnings	<u>500,000</u>	<u>400,000</u>	<u>476,634</u>	<u>76,634</u>
Charges for services:				
Airport land lease	108,000	108,000	83,333	(24,667)
Assessor	5,000	5,000	5,909	909
Cable TV	22,000	22,000	22,322	322
Clerk	563,000	563,000	553,746	(9,254)
Communications	1,000	1,000	480	(520)
Elder Affairs	55,000	55,000	76,996	21,996
Fire	278,800	278,800	283,692	4,892
Health	42,700	42,700	22,071	(20,629)
Hope Cemetery	270,000	270,000	306,943	36,943
Library	50,000	50,000	32,717	(17,283)
Energy & Asset Management	500	500	-	(500)
Parks	100,000	100,000	60,344	(39,656)
Planning	110,100	110,100	73,011	(37,089)
Police	788,400	788,400	702,012	(86,388)
Public Works	51,500	51,500	20,053	(31,447)
Contracted Towing Revenue	195,000	195,000	177,611	(17,389)
Schools	10,000	10,000	10,600	600
Trailer coach park	5,000	5,000	4,016	(984)
Trash bags	3,100,000	3,100,000	3,115,754	15,754
Treasurer	17,000	17,000	14,094	(2,906)
	<u>5,773,000</u>	<u>5,773,000</u>	<u>5,565,704</u>	<u>(207,296)</u>
Miscellaneous	<u>888,064</u>	<u>888,064</u>	<u>1,727,192</u>	<u>839,128</u>
Total revenues	<u>572,255,413</u>	<u>571,754,407</u>	<u>570,942,887</u>	<u>(811,520)</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

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	\$ 330,480	330,480	323,999	6,481
Ordinary maintenance	26,867	26,867	24,620	2,247
	<u>357,347</u>	<u>357,347</u>	<u>348,619</u>	<u>8,728</u>
Mayor:				
Salaries	115,885	120,322	111,619	8,703
Ordinary maintenance	19,889	19,889	15,399	4,490
	<u>135,774</u>	<u>140,211</u>	<u>127,018</u>	<u>13,193</u>
Manager:				
Salaries:				
Executive office	912,002	940,101	924,319	15,782
Economic Development	1,340,927	1,345,959	1,314,432	31,527
Ordinary maintenance:				
Executive office	1,793,083	2,304,154	2,301,535	2,619
Economic Development	100,090	191,916	174,732	17,184
Tourism promotion	500,000	500,000	500,000	-
	<u>4,646,102</u>	<u>5,282,130</u>	<u>5,215,018</u>	<u>67,112</u>
Auditor:				
Salaries	507,903	491,206	466,437	24,769
Ordinary maintenance	90,722	90,722	85,785	4,937
	<u>598,625</u>	<u>581,928</u>	<u>552,222</u>	<u>29,706</u>
Administration & Finance:				
Salaries	351,284	383,178	381,009	2,169
Ordinary maintenance	56,797	56,797	46,699	10,098
	<u>408,081</u>	<u>439,975</u>	<u>427,708</u>	<u>12,267</u>
Treasurer and Collector:				
Salaries	1,166,005	1,111,671	1,105,313	6,358
Ordinary maintenance	691,676	1,105,182	1,102,211	2,971
	<u>1,857,681</u>	<u>2,216,853</u>	<u>2,207,524</u>	<u>9,329</u>
Assessor:				
Salaries	559,778	570,171	559,568	10,603
Ordinary maintenance	250,000	256,000	251,261	4,739
	<u>809,778</u>	<u>826,171</u>	<u>810,829</u>	<u>15,342</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2015
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		
License Commission:				
Ordinary maintenance	\$ 1,200	1,200	1,100	100
	<u>1,200</u>	<u>1,200</u>	<u>1,100</u>	<u>100</u>
Law:				
Salaries	810,814	797,618	794,364	3,254
Ordinary maintenance	137,842	192,842	190,537	2,305
Casualty insurance	119,948	119,948	100,435	19,513
Court judgments	378,100	623,100	591,785	31,315
	<u>1,446,704</u>	<u>1,733,508</u>	<u>1,677,121</u>	<u>56,387</u>
City Clerk:				
Salaries	561,125	572,458	563,326	9,132
Ordinary maintenance	36,024	36,024	35,977	47
	<u>597,149</u>	<u>608,482</u>	<u>599,303</u>	<u>9,179</u>
Energy & Asset Management:				
Salaries	246,847	281,236	273,011	8,225
Ordinary maintenance	727,524	727,524	698,689	28,835
	<u>974,371</u>	<u>1,008,760</u>	<u>971,700</u>	<u>37,060</u>
Election Commission:				
Salaries	452,102	412,126	411,780	346
Ordinary maintenance	110,885	110,885	110,753	132
	<u>562,987</u>	<u>523,011</u>	<u>522,533</u>	<u>478</u>
Purchasing:				
Salaries	195,526	216,556	216,556	-
Ordinary maintenance	14,595	14,595	10,839	3,756
	<u>210,121</u>	<u>231,151</u>	<u>227,395</u>	<u>3,756</u>
Technical services:				
Salaries	1,762,800	1,860,259	1,860,259	-
Ordinary maintenance	1,283,726	1,283,726	1,276,499	7,227
	<u>3,046,526</u>	<u>3,143,985</u>	<u>3,136,758</u>	<u>7,227</u>
Human Resources:				
Salaries	875,996	815,444	814,471	973
Ordinary maintenance	251,556	291,556	290,712	844
	<u>1,127,552</u>	<u>1,107,000</u>	<u>1,105,183</u>	<u>1,817</u>
Total general government	<u>16,779,998</u>	<u>18,201,712</u>	<u>17,930,031</u>	<u>271,681</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

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	\$ 40,981,510	41,820,887	41,820,886	1
Ordinary maintenance	2,432,590	2,432,590	2,402,839	29,751
Capital	30,000	30,000	29,528	472
	<u>43,444,100</u>	<u>44,283,477</u>	<u>44,253,253</u>	<u>30,224</u>
Fire:				
Salaries	32,624,577	33,031,578	32,977,537	54,041
Ordinary maintenance	1,065,698	1,185,803	1,167,042	18,761
Capital	25,000	25,000	12,129	12,871
	<u>33,715,275</u>	<u>34,242,381</u>	<u>34,156,708</u>	<u>85,673</u>
Inspectional services:				
Salaries	3,040,149	3,084,061	3,079,617	4,444
Ordinary maintenance	230,452	255,452	253,564	1,888
	<u>3,270,601</u>	<u>3,339,513</u>	<u>3,333,181</u>	<u>6,332</u>
Communications:				
Salaries	1,950,153	1,902,922	1,890,682	12,240
Ordinary maintenance	354,114	304,114	296,269	7,845
	<u>2,304,267</u>	<u>2,207,036</u>	<u>2,186,951</u>	<u>20,085</u>
Total public safety	<u>82,734,243</u>	<u>84,072,407</u>	<u>83,930,093</u>	<u>142,314</u>
Health and human services:				
Health:				
Salaries	323,795	377,204	376,203	1,001
Ordinary maintenance	40,000	40,000	28,707	11,293
	<u>363,795</u>	<u>417,204</u>	<u>404,910</u>	<u>12,294</u>
Elder Affairs:				
Salaries	312,829	330,235	316,181	14,054
Ordinary maintenance	138,841	138,841	138,562	279
	<u>451,670</u>	<u>469,076</u>	<u>454,743</u>	<u>14,333</u>
Total health and human services	<u>815,465</u>	<u>886,280</u>	<u>859,653</u>	<u>26,627</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Education:				
Public Schools (Net School Spending):				
Salaries	\$ 195,471,752	195,688,833	195,688,805	28
Ordinary maintenance	34,042,008	33,799,611	33,799,570	41
Capital	300,000	196,188	196,188	-
	<u>229,813,760</u>	<u>229,684,632</u>	<u>229,684,563</u>	<u>69</u>
Schools (Non Net School Spending)				
Salaries	3,803,994	3,912,150	3,912,150	-
Ordinary maintenance	13,775,022	13,625,989	13,625,989	-
	<u>17,579,016</u>	<u>17,538,139</u>	<u>17,538,139</u>	<u>-</u>
Total education	<u>247,392,776</u>	<u>247,222,771</u>	<u>247,222,702</u>	<u>69</u>
Public works:				
Department of Public Works:				
Salaries	5,403,661	5,949,583	5,939,307	10,276
Ordinary maintenance	6,868,111	6,681,528	6,459,723	221,805
Snow and ice removal	4,000,000	5,641,769	5,641,768	1
Street lighting	2,252,828	2,252,828	2,247,282	5,546
	<u>18,524,600</u>	<u>20,525,708</u>	<u>20,288,080</u>	<u>237,628</u>
Union Station:				
Ordinary maintenance	407,005	470,305	470,305	-
Total public works	<u>18,931,605</u>	<u>20,996,013</u>	<u>20,758,385</u>	<u>237,628</u>
Culture and recreation:				
Parks and Cemetery:				
Salaries	3,056,663	3,153,911	3,132,977	20,934
Ordinary maintenance	1,162,441	1,165,379	1,155,563	9,816
	<u>4,219,104</u>	<u>4,319,290</u>	<u>4,288,540</u>	<u>30,750</u>
Public Library:				
Salaries	3,556,726	3,439,857	3,413,852	26,005
Ordinary maintenance	1,546,799	1,566,046	1,559,481	6,565
Capital	-	1,774	1,774	-
	<u>5,103,525</u>	<u>5,007,677</u>	<u>4,975,107</u>	<u>32,570</u>
Auditorium:				
Ordinary maintenance	121,506	121,506	121,486	20
Total culture and recreation	<u>9,444,135</u>	<u>9,448,473</u>	<u>9,385,133</u>	<u>63,340</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental:				
Health insurance - retirees	\$ 5,832	5,832	5,832	-
Regional planning	-	45,824	45,824	-
Regional Transit Authority	2,825,418	2,825,418	2,825,418	-
Air pollution control	41,600	41,600	41,600	-
Charter Schools	24,539,972	24,314,870	24,456,630	(141,760)
School choice	2,709,152	2,766,438	2,700,679	65,759
Special education - Chapter 766	50,000	160,701	141,940	18,761
Registry parking ticket surcharge	441,660	441,660	441,660	-
Total intergovernmental	30,613,634	30,602,343	30,659,583	(57,240)
Debt service:				
Principal	27,246,574	30,950,536	30,950,536	-
Interest	8,180,501	8,106,985	7,964,182	142,803
Pension obligation bond:				
Municipal departments:				
Principal	7,120,000	7,120,000	7,120,000	-
Interest	3,411,115	3,411,115	3,411,115	-
Enterprise funds (interest)	1,376,485	1,376,485	1,376,485	-
Public schools	4,730,525	4,730,525	4,730,525	-
Total debt service	52,065,200	55,695,646	55,552,843	142,803
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	23,500,773	23,514,839	23,514,838	1
Public Schools	10,323,067	10,389,514	10,389,514	-
Noncontributory pensions:				
Municipal departments	124,154	124,154	94,405	29,749
Public Schools	100,000	88,618	88,618	-
	34,047,994	34,117,125	34,087,375	29,750

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2015
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	\$ 1,194,560	1,265,158	1,258,219	6,939
Public Schools	393,700	574,024	574,024	-
Public safety injured on duty	432,550	432,550	432,307	243
Unemployment compensation:				
Municipal departments	50,000	57,574	57,574	-
Public Schools	325,209	586,558	586,558	-
	<u>2,396,019</u>	<u>2,915,864</u>	<u>2,908,682</u>	<u>7,182</u>
Group insurance:				
Municipal departments	23,825,925	24,177,100	24,177,100	-
Public Schools	41,936,634	41,159,840	41,159,840	-
	<u>65,762,559</u>	<u>65,336,940</u>	<u>65,336,940</u>	<u>-</u>
Total fringe benefits	<u>102,206,572</u>	<u>102,369,929</u>	<u>102,332,997</u>	<u>36,932</u>
Contingency	<u>4,000,000</u>	<u>21,952</u>	<u>-</u>	<u>21,952</u>
Total expenditures	<u>564,983,628</u>	<u>569,517,526</u>	<u>568,631,420</u>	<u>886,106</u>
Excess of revenues over expenditures	<u>7,271,785</u>	<u>2,236,881</u>	<u>2,311,467</u>	<u>74,586</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,047,498	10,437,276	10,437,276	-
Transfers out	(14,119,283)	(15,802,481)	(15,802,481)	-
Premium on loans	800,000	800,000	993,838	193,838
Total other financing sources (uses)	<u>(7,271,785)</u>	<u>(4,565,205)</u>	<u>(4,371,367)</u>	<u>193,838</u>
Net changes in fund balance	<u>-</u>	<u>(2,328,324)</u>	<u>(2,059,900)</u>	<u>268,424</u>
Budgetary fund balance - beginning	<u>28,573,602</u>	<u>28,573,602</u>	<u>28,573,602</u>	<u>-</u>
Budgetary fund balance - ending	<u>\$ 28,573,602</u>	<u>26,245,278</u>	<u>26,513,702</u>	<u>268,424</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

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)*

	2015
<u>Total pension liability</u>	
Service cost	\$ 24,977,553
Interest	89,852,374
Differences between expected and actual experience	(901,542)
Changes of assumptions	16,436,189
Benefit payments, including refunds of member contributions	(72,435,430)
Net change in total pension liability	57,929,144
Total pension liability - beginning	1,170,625,635
Total pension liability - ending (a)	\$ 1,228,554,779
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 41,200,578
Contributions - member	16,320,772
Net investment income	34,950,210
Benefit payments, including refunds of member contributions	(72,435,430)
Administrative expense	(587,157)
Other	(806,081)
Net change in plan fiduciary net position	18,642,892
Plan fiduciary net position - beginning	806,990,281
Plan fiduciary net position - ending (b)	\$ 825,633,173
WRS's net pension liability - ending (a) - (b)	\$ 402,921,606
Plan fiduciary net position as a percentage of the total pension liability	67.20%
Covered-employee payroll	\$ 183,018,123
Net pension liability as a percentage of covered-employee payroll	220.15%

*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, 2015

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily determined contribution	\$ 41,200,578	38,148,683	35,409,140	32,706,347	29,770,499
Contributions in relation to the statutorily determined contribution	<u>41,200,578</u>	<u>38,148,683</u>	<u>35,409,140</u>	<u>32,706,347</u>	<u>30,196,904</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>
Covered-employee payroll	\$ 183,018,123	168,856,039	166,094,906	159,669,859	157,720,871
Contributions as a percentage of covered-employee payroll	22.51%	22.59%	21.32%	20.48%	19.15%
					(continued)
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily determined contribution	\$ 28,505,066	24,947,158	24,166,318	23,354,603	23,579,478
Contributions in relation to the statutorily determined contribution	<u>28,505,066</u>	<u>24,947,158</u>	<u>24,166,318</u>	<u>23,354,603</u>	<u>23,579,478</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 166,392,075	166,050,095	156,585,326	152,838,201	145,830,593
Contributions as a percentage of covered-employee payroll	17.13%	15.02%	15.43%	15.28%	16.17%
					(concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

Schedule of Investment Returns (WRS) *

	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.96%

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

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

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

	<u>2015**</u>
City's proportion of the net pension liability	92.730893%
City's proportionate share of the net pension liability	\$ 373,632,802
City's covered-employee payroll	170,743,797
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	218.83%
Plan fiduciary net position as a percentage of the total pension liability	67.20%

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

** The amounts presented were determined as of December 31, 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily determined contribution	\$ 38,205,664	35,084,000	32,246,000	29,720,000	27,277,000
Contributions in relation to the statutorily determined contribution	<u>38,205,664</u>	<u>35,084,000</u>	<u>32,246,000</u>	<u>29,720,000</u>	<u>27,703,405</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>
Covered-employee payroll	\$ 170,743,797	157,531,510	154,955,555	148,961,412	147,143,135
Contributions as a percentage of covered-employee payroll	22.38%	22.27%	20.81%	19.95%	18.83%
					(continued)
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily determined contribution	\$ 26,117,000	22,742,000	22,089,000	21,241,000	21,526,000
Contributions in relation to the statutorily determined contribution	<u>26,117,000</u>	<u>22,742,000</u>	<u>22,089,000</u>	<u>21,241,000</u>	<u>21,526,000</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 155,232,794	154,913,750	146,083,747	142,587,927	136,050,293
Contributions as a percentage of covered-employee payroll	16.82%	14.68%	15.12%	14.90%	15.82%
					(concluded)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

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) *

	<u>2015**</u>
City's proportion of the net pension liability	0.00%
City's proportionate share of the net pension liability	\$ -
Commonwealth's proportionate share of the net pension liability associated with the City	<u>435,996,868</u>
Total	<u>\$ 435,996,868</u>
City's covered-employee Payroll	\$ 172,700,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

**The amounts presented were determined as of June 30, 2014

Schedule of City's Contributions (MTRS) *

	<u>2015</u>
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 172,700,000
Contributions as a percentage of covered-employee payroll	N/A

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

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

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*

	2015**
District's proportion of the net pension liability	0.06291%
District's proportionate share of the net pension liability	\$ 4,670,154
District's covered-employee payroll	3,245,825
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.88%
Plan fiduciary net position as a percentage of the total pension liability	76.32%

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

** The amounts presented were determined as of June 30, 2014.

Schedule of District's Contributions*

	2015**
Contractually required contribution	\$ 370,024
Contributions in relation to the contractually required contribution	370,024
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 3,245,825
Contributions as a percentage of covered-employee payroll	11.40%

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

** The amounts presented were determined as of June 30, 2014.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

OPEB Schedule

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/C)
07/01/09	\$ -	765,312,000	765,312,000	0.0%	302,802,000	253%
07/01/11	-	636,335,089	636,335,089	0.0%	313,752,801	203%
07/01/13	-	727,823,149	727,823,149	0.0%	334,069,964	218%

The significant changes to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress are as follows:

- The 07/01/09 valuation reflects the City's adoption of Massachusetts General Laws Chapter 32B, Section 18, which shifted certain other postemployment benefits costs from the City to a Medicare extension program
- The 07/01/09 and 07/01/11 valuations reflect the City's favorable claims experience during the periods between the valuations
- The 07/01/13 valuation reflects changes in assumptions including implicit subsidy, excise tax, mortality tables, and inflationary trend rates for health care costs.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2015

(In thousands of dollars)

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 2015, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$4,545. In fiscal 2015, revenues were less than estimates and were funded by unexpended appropriations generated during fiscal 2015. In fiscal 2015, expenditures exceeded budgetary estimates for intergovernmental expenditures which were funded by unexpended appropriations during fiscal year 2015.

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, 2015:

	<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	\$ 570,943	568,631	(4,372)	(2,060)
Reclassify OPEB reserve	78	-	1,327	1,405
Reclassify payment of temporary loan to transfer to capital project fund	-	(1,500)	(1,500)	-
Reclassify enterprise refunded bonds redeemed in general fund to transfer out to enterprise fund	-	(1,376)	(1,376)	-
COLA on-behalf payments	1,248	1,248	-	-
Adjustment of revenues to a modified basis	<u>1,013</u>	<u>-</u>	<u>-</u>	<u>1,013</u>
As reported on a GAAP basis	<u>\$ 573,282</u>	<u>567,003</u>	<u>(5,921)</u>	<u>358</u>

The major differences between the budgetary basis and the GAAP basis are OPEB reserve funds are reported in the general fund on a GAAP basis only; revenues are 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); payment of BANS in the general fund are considered principal expenditures but using the GAAP basis it is a payment of liability in the Capital Projects Fund and a transfer out from the general fund; and COLA on-behalf payments are recorded on a GAAP basis only.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2015

(In thousands of dollars)

Changes of Assumptions (WRS)

The investment return assumption was lowered from 8.50% to 8.25% as of January 1, 2006. As of January 1, 2011, it was lowered to 8.00%. As of January 1, 2013, it was lowered to 7.75%. As of January 1, 2015 it was lowered to 7.625%.

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

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

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

The mortality assumption for healthy retirees was changed from the RP-2000 Combined Healthy Mortality Table projected 12 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 15 years using Scale AA as of January 1, 2013. As of January 1, 2014, the mortality assumption for non-disabled retirees was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA.

The mortality assumption for disabled participants was changed from the 1994 Group Annuity Mortality Table set forward 10 years to the 1994 Group Annuity Mortality Table set forward 7 years, as of January 1, 2010. As of January 1, 2011, the table was changed to the 1994 Group Annuity Mortality Table set forward 5 years. As of January 1, 2012, the assumption was changed to the RP-2000 Combined Healthy Mortality Table set forward 5 years projected 12 years using Scale AA. As of January 1, 2013, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected 5 years using Scale AA with a 3-year set forward for males. As of January 1, 2014, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA from 2010 with a 3-year set forward for males. As of January 1, 2015, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA with a 3-year set forward for males.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2015

(In thousands of dollars)

Methods and Assumptions Used in Calculations of Statutorily Determined Contributions (WRS)

The statutorily determined contribution rates in the schedule of employer contributions (WRS) are calculated by an actuarial valuation as of January 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method (2005-2014):	Entry Age Normal
Amortization method (2005):	Payment increases 4.50% per year
Amortization method (2006):	Payment increases 3.50% per year
Amortization method (2007):	Payment increases 4.00% per year
Amortization method (2008):	Payment increases 4.50% per year
Amortization method (2009 - 2014):	Payment increases 4.00% per year
Remaining amortization period (2005):	17 years
Remaining amortization period (2006):	11 years
Remaining amortization period (2007):	11 years
Remaining amortization period (2008):	21 years
Remaining amortization period (2009):	30 years
Remaining amortization period (2010):	24 years
Remaining amortization period (2011):	23 years
Remaining amortization period (2012):	19 years
Remaining amortization period (2013):	17 years
Remaining amortization period (2014):	18 years
Asset valuation method (2005-2007):	Market value
Asset valuation method (2008-2014):	5-year smoothed market value
Inflation (2005-2009):	4.00%
Inflation (2010-2011):	3.75%
Inflation (2012):	3.50%
Inflation (2013-2014):	3.00% for the next 2 years; 4.00% thereafter
Salary increases (2005-2007):	5.00%
Salary increases (2008):	3.00% for the next 2 years; 5.00% thereafter
Salary increases (2009):	5.00%
Salary increases (2010-2011):	4.75%
Salary increases (2012):	4.50%
Salary increases (2013-2014):	3.50% for the next 2 years; 4.50% thereafter
Investment rate of return (2005-2009):	8.25%
Investment rate of return (2010-2011):	8.00%
Investment rate of return (2012-2013):	7.75%
Investment rate of return (2014):	7.625%

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2015

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 – accounts for the operations of the City’s civic center and arena.

School Lunch – accounts for the operations of the public school lunch program.

Police Auxiliary – accounts for police off-duty details.

Off-Street Parking – accounts for the operation of the City’s parking garages, on-street meters and off-street parking lots.

City Revolving – accounts for City activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

School Grants – accounts for school programs funded by grants.

School Revolving – accounts for school activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

Receipts Reserved – accounts for revenues reserved for appropriation that have been segregated by law or administrative action.

Community Development – accounts for grants received from the U.S. Department of Housing and Urban Development and program related income.

Workforce Central – accounts for revenue received from the U.S. Department of Labor to assist individuals to become productive members of the labor force.

City Grants – accounts for various grants received from the federal and state governments for programs administered by City departments.

Capital Projects

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Street and Sidewalk – accounts for the construction and improvement of streets and sidewalks.

Capital Equipment – accounts for the acquisition of equipment.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2015

Union Station Garage – accounts for financial resources used for the Union Station Garage construction.

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.

Agency Funds – The agency fund is a fiduciary fund used to account for assets held in a custodial capacity.

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	3,859,016	1,981,756	235,660	232,616	2,181,354
Restricted investments	-	-	-	-	-
Receivables, net	-	-	1,086,198	-	48,924
Intergovernmental receivables	-	-	-	-	243,252
Total assets	<u>\$ 3,859,016</u>	<u>1,981,756</u>	<u>1,321,858</u>	<u>232,616</u>	<u>2,473,530</u>
Liabilities:					
Accounts payable	\$ -	153,832	207,556	6,807	1,552
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	4,364,300	-	-	-	-
Total liabilities	<u>4,364,300</u>	<u>153,832</u>	<u>207,556</u>	<u>6,807</u>	<u>1,552</u>
Deferred inflows of resources:					
Unavailable revenue-other	-	-	1,086,198	-	48,924
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,086,198</u>	<u>-</u>	<u>48,924</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,827,924	28,104	225,809	2,423,054
Committed	-	-	-	-	-
Unassigned	(505,284)	-	-	-	-
Total fund balances	<u>(505,284)</u>	<u>1,827,924</u>	<u>28,104</u>	<u>225,809</u>	<u>2,423,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,859,016</u>	<u>1,981,756</u>	<u>1,321,858</u>	<u>232,616</u>	<u>2,473,530</u>

Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
-	-	20,631,734	-	-	-	20,631,734
6,829,726	1,371,018	-	-	1,220,157	12,719,732	30,631,035
-	-	-	-	-	-	-
-	-	25,414	-	-	-	1,160,536
286,733	-	-	249,719	3,000	2,114,308	2,897,012
<u>7,116,459</u>	<u>1,371,018</u>	<u>20,657,148</u>	<u>249,719</u>	<u>1,223,157</u>	<u>14,834,040</u>	<u>55,320,317</u>
144,134	13,497	-	18,797	89,624	209,359	845,158
-	-	-	190,488	-	-	190,488
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4,364,300
<u>144,134</u>	<u>13,497</u>	<u>-</u>	<u>209,285</u>	<u>89,624</u>	<u>209,359</u>	<u>5,399,946</u>
-	-	25,414	-	-	-	1,160,536
-	-	25,414	-	-	-	1,160,536
-	-	-	-	-	-	-
6,972,325	1,357,521	-	40,434	1,133,533	14,624,681	28,633,385
-	-	20,631,734	-	-	-	20,631,734
-	-	-	-	-	-	(505,284)
<u>6,972,325</u>	<u>1,357,521</u>	<u>20,631,734</u>	<u>40,434</u>	<u>1,133,533</u>	<u>14,624,681</u>	<u>48,759,835</u>
<u>7,116,459</u>	<u>1,371,018</u>	<u>20,657,148</u>	<u>249,719</u>	<u>1,223,157</u>	<u>14,834,040</u>	<u>55,320,317</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	<u>Capital Projects Funds</u>			
	<u>Street and Sidewalk</u>	<u>Capital Equipment</u>	<u>School Construction</u>	<u>Parks Improvements</u>
Assets:				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	9,001,005	1,498,702	2,632,808	3,635,774
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	1,825,570	-	-	217,080
Total assets	<u>\$ 10,826,575</u>	<u>1,498,702</u>	<u>2,632,808</u>	<u>3,852,854</u>
Liabilities:				
Accounts payable	\$ 645,204	-	1,483,908	179,801
Due to general fund	-	-	-	-
Retainage payable	545,577	-	264,830	340,012
Temporary loans	8,470,000	2,862,000	-	4,420,000
Other liabilities	-	-	-	-
Total liabilities	<u>9,660,781</u>	<u>2,862,000</u>	<u>1,748,738</u>	<u>4,939,813</u>
Deferred inflows of resources:				
Unavailable revenue-other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	1,165,794	-	884,070	-
Committed	-	-	-	-
Unassigned	-	(1,363,298)	-	(1,086,959)
Total fund balances	<u>1,165,794</u>	<u>(1,363,298)</u>	<u>884,070</u>	<u>(1,086,959)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,826,575</u>	<u>1,498,702</u>	<u>2,632,808</u>	<u>3,852,854</u>

Capital Projects Funds		
Union Station Garage	Other	Subtotal
-	-	-
1,279,894	2,145,980	20,194,163
-	-	-
-	-	-
-	-	2,042,650
<u>1,279,894</u>	<u>2,145,980</u>	<u>22,236,813</u>
-	-	2,308,913
-	-	-
-	6,070	1,156,489
-	200,000	15,952,000
-	-	-
<u>-</u>	<u>206,070</u>	<u>19,417,402</u>
-	-	-
-	-	-
-	-	-
1,279,894	1,939,910	5,269,668
-	-	-
-	-	(2,450,257)
<u>1,279,894</u>	<u>1,939,910</u>	<u>2,819,411</u>
<u>1,279,894</u>	<u>2,145,980</u>	<u>22,236,813</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Permanent Funds				
	Hope Cemetery	Health Department	Libraries	Schools	Parks
Assets:					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	269,120	220,892	100,032	71,287	38,421
Restricted investments	3,725,397	2,595,545	8,892,375	724,814	470,874
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Total assets	\$ 3,994,517	2,816,437	8,992,407	796,101	509,295
Liabilities:					
Accounts payable	\$ -	-	18,166	-	-
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	-	-	18,166	-	-
Deferred inflows of resources:					
Unavailable revenue-other	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	3,222,285	2,132,547	6,016,366	503,373	343,637
Restricted	772,232	683,890	2,957,875	292,728	165,658
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	3,994,517	2,816,437	8,974,241	796,101	509,295
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,994,517	2,816,437	8,992,407	796,101	509,295

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	20,631,734
665	29,384	54,769	2,908	787,478	51,612,676
9,970	381,235	610,610	4,867	17,415,687	17,415,687
-	-	-	-	-	1,160,536
-	-	-	-	-	4,939,662
<u>10,635</u>	<u>410,619</u>	<u>665,379</u>	<u>7,775</u>	<u>18,203,165</u>	<u>95,760,295</u>
-	-	-	-	18,166	3,172,237
-	-	-	-	-	190,488
-	-	-	-	-	1,156,489
-	-	-	-	-	15,952,000
-	-	-	-	-	4,364,300
-	-	-	-	<u>18,166</u>	<u>24,835,514</u>
-	-	-	-	-	1,160,536
-	-	-	-	-	1,160,536
3,063	301,541	409,360	2,950	12,935,122	12,935,122
7,572	109,078	256,019	4,825	5,249,877	39,152,930
-	-	-	-	-	20,631,734
-	-	-	-	-	(2,955,541)
<u>10,635</u>	<u>410,619</u>	<u>665,379</u>	<u>7,775</u>	<u>18,184,999</u>	<u>69,764,245</u>
<u>10,635</u>	<u>410,619</u>	<u>665,379</u>	<u>7,775</u>	<u>18,203,165</u>	<u>95,760,295</u>

(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, 2015

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ -	11,387,781	-	-	-
Investment earnings	-	-	-	-	-
Charges for services	632,117	442,861	8,604,089	-	1,402,471
Donations	-	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	632,117	11,830,642	8,604,089	-	1,402,471
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	8,641,416	-	583,589
Health and human services	-	-	-	-	269,563
Education	-	12,409,889	-	-	-
Public works	-	-	-	1,739,903	74,258
Culture and recreation	1,187,583	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	393,260	-	-	1,221,308	-
Interest	131,483	-	-	535,922	-
Total expenditures	1,712,326	12,409,889	8,641,416	3,497,133	927,410
Excess (deficiency) of revenues over expenditures	(1,080,209)	(579,247)	(37,327)	(3,497,133)	475,061
Other financing sources (uses):					
Transfers in	364,953	-	-	3,116,741	-
Transfers (out)	-	-	-	-	-
Premiums on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Total other financing sources (uses)	364,953	-	-	3,116,741	-
Net change in fund balances	(715,256)	(579,247)	(37,327)	(380,392)	475,061
Fund balances – beginning	209,972	2,407,171	65,431	606,201	1,947,993
Fund balances – ending	\$ (505,284)	1,827,924	28,104	225,809	2,423,054

Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
38,637,259	304,617	-	5,665,991	6,162,107	15,369,501	77,527,256
-	-	-	-	-	101	101
182,577	1,303,828	5,423,356	15,170	7,572	557,721	18,571,762
59,899	-	-	-	-	4,922,585	4,982,484
-	-	-	-	-	-	-
-	-	118,331	-	-	413,605	531,936
<u>38,879,735</u>	<u>1,608,445</u>	<u>5,541,687</u>	<u>5,681,161</u>	<u>6,169,679</u>	<u>21,263,513</u>	<u>101,613,539</u>
-	-	-	-	-	4,165,460	4,165,460
-	-	-	-	-	3,287,035	12,512,040
-	-	-	-	6,048,455	6,433,377	12,751,395
39,176,348	2,124,210	-	-	-	-	53,710,447
-	-	-	-	-	1,504,428	3,318,589
-	-	-	-	-	4,224,809	5,412,392
-	-	-	3,499,412	-	294,146	3,793,558
-	-	-	1,948,000	-	179,000	3,741,568
-	-	-	243,070	-	90,560	1,001,035
<u>39,176,348</u>	<u>2,124,210</u>	<u>-</u>	<u>5,690,482</u>	<u>6,048,455</u>	<u>20,178,815</u>	<u>100,406,484</u>
<u>(296,613)</u>	<u>(515,765)</u>	<u>5,541,687</u>	<u>(9,321)</u>	<u>121,224</u>	<u>1,084,698</u>	<u>1,207,055</u>
716,742	-	94,896	-	-	719,769	5,013,101
-	-	(12,006,870)	-	-	(458,242)	(12,465,112)
-	-	3,086,673	-	-	-	3,086,673
-	-	-	-	-	-	-
-	-	2,305,381	-	-	-	2,305,381
-	-	-	-	-	-	-
<u>716,742</u>	<u>-</u>	<u>(6,519,920)</u>	<u>-</u>	<u>-</u>	<u>261,527</u>	<u>(2,059,957)</u>
420,129	(515,765)	(978,233)	(9,321)	121,224	1,346,225	(852,902)
6,552,196	1,873,286	21,609,967	49,755	1,012,309	13,278,456	49,612,737
<u>6,972,325</u>	<u>1,357,521</u>	<u>20,631,734</u>	<u>40,434</u>	<u>1,133,533</u>	<u>14,624,681</u>	<u>48,759,835</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2015

	<u>Capital Projects Funds</u>			
	<u>Street and Sidewalk</u>	<u>Capital Equipment</u>	<u>School Construction</u>	<u>Parks Improvements</u>
Revenues:				
Intergovernmental	\$ 9,299,568	-	10,154,615	531,743
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	76,102	-	-	-
Contributions to permanent fund	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>9,375,670</u>	<u>-</u>	<u>10,154,615</u>	<u>531,743</u>
Expenditures:				
Current:				
General government	-	73,390	-	-
Public safety	-	1,121,484	-	-
Health and human services	-	6,568	-	-
Education	-	238,615	12,055,202	-
Public works	15,260,437	361,808	-	-
Culture and recreation	-	291,708	-	5,646,340
Community development	-	-	-	-
Debt service:				
Principal	27,307	-	-	839,409
Interest	-	-	-	-
Total expenditures	<u>15,287,744</u>	<u>2,093,573</u>	<u>12,055,202</u>	<u>6,485,749</u>
Excess (deficiency) of revenues over expenditures	<u>(5,912,074)</u>	<u>(2,093,573)</u>	<u>(1,900,587)</u>	<u>(5,954,006)</u>
Other financing sources (uses):				
Transfers in	-	1,804,000	2,744,921	195,000
Transfers (out)	(662,264)	-	-	(25,000)
Premiums on issuance of bonds	-	-	-	-
Issuance of bonds	14,110,000	1,265,000	-	4,052,500
Premium on issuance of refunding bonds	-	-	-	-
Issuance of refunding bonds	27,307	-	-	839,409
Total other financing sources (uses)	<u>13,475,043</u>	<u>3,069,000</u>	<u>2,744,921</u>	<u>5,061,909</u>
Net change in fund balances	<u>7,562,969</u>	<u>975,427</u>	<u>844,334</u>	<u>(892,097)</u>
Fund balances – beginning	<u>(6,397,175)</u>	<u>(2,338,725)</u>	<u>39,736</u>	<u>(194,862)</u>
Fund balances – ending	<u>\$ 1,165,794</u>	<u>(1,363,298)</u>	<u>884,070</u>	<u>(1,086,959)</u>

Capital Projects Funds		
Union Station Garage	Other	Subtotal
-	65,857	20,051,783
-	39	39
-	-	-
-	-	76,102
-	-	-
-	-	-
-	65,896	20,127,924
-	-	73,390
-	-	1,121,484
-	-	6,568
-	-	12,293,817
-	304,724	15,926,969
-	622,924	6,560,972
-	270,210	270,210
-	-	-
-	1,976,212	2,842,928
-	-	-
-	3,174,070	39,096,338
-	(3,108,174)	(18,968,414)
-	131,000	4,874,921
-	(343,128)	(1,030,392)
-	-	-
-	-	19,427,500
-	-	-
-	1,976,212	2,842,928
-	1,764,084	26,114,957
-	(1,344,090)	7,146,543
1,279,894	3,284,000	(4,327,132)
1,279,894	1,939,910	2,819,411

(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, 2015

	Permanent Funds				
	Hope Cemetery	Health Department	Library	Schools	Parks
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	(18,919)	(15,551)	63,570	(5,101)	(3,619)
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	72,726	6,841	500	3,030	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>53,807</u>	<u>(8,710)</u>	<u>64,070</u>	<u>(2,071)</u>	<u>(3,619)</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	956	-	-	-
Education	-	-	-	12,500	-
Public works	-	-	-	-	-
Culture and recreation	-	-	94,536	-	111
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>956</u>	<u>94,536</u>	<u>12,500</u>	<u>111</u>
Excess (deficiency) of revenues over expenditures	<u>53,807</u>	<u>(9,666)</u>	<u>(30,466)</u>	<u>(14,571)</u>	<u>(3,730)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(16,454)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Total other financing sources (uses)	<u>(16,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	37,353	(9,666)	(30,466)	(14,571)	(3,730)
Fund balances – beginning	3,957,164	2,826,103	9,004,707	810,672	513,025
Fund balances – ending	\$ <u>3,994,517</u>	<u>2,816,437</u>	<u>8,974,241</u>	<u>796,101</u>	<u>509,295</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Welfare	Subtotal	
-	-	-	-	-	97,579,039
(65)	(3,680)	(4,006)	(32)	12,597	12,737
-	-	-	-	-	18,571,762
-	-	-	-	-	5,058,586
-	3,655	-	583	87,335	87,335
-	-	-	-	-	531,936
<u>(65)</u>	<u>(25)</u>	<u>(4,006)</u>	<u>551</u>	<u>99,932</u>	<u>121,841,395</u>
-	-	-	-	-	4,238,850
-	-	-	-	-	13,633,524
-	-	-	-	956	12,758,919
-	-	-	-	12,500	66,016,764
-	7,397	-	-	7,397	19,252,955
-	-	-	-	94,647	12,068,011
-	-	-	-	-	4,063,768
-	-	-	-	-	6,584,496
-	-	-	-	-	1,001,035
<u>-</u>	<u>7,397</u>	<u>-</u>	<u>-</u>	<u>115,500</u>	<u>139,618,322</u>
<u>(65)</u>	<u>(7,422)</u>	<u>(4,006)</u>	<u>551</u>	<u>(15,568)</u>	<u>(17,776,927)</u>
-	-	-	-	-	9,888,022
-	-	-	-	(16,454)	(13,511,958)
-	-	-	-	-	3,086,673
-	-	-	-	-	19,427,500
-	-	-	-	-	2,305,381
-	-	-	-	-	2,842,928
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,454)</u>	<u>24,038,546</u>
(65)	(7,422)	(4,006)	551	(32,022)	6,261,619
10,700	418,041	669,385	7,224	18,217,021	63,502,626
<u>10,635</u>	<u>410,619</u>	<u>665,379</u>	<u>7,775</u>	<u>18,184,999</u>	<u>69,764,245</u>

(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, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Fees	\$ 1,200,983	1,200,983	1,049,474	(151,509)
Miscellaneous	22,000	22,000	40,034	18,034
Total revenues	<u>1,222,983</u>	<u>1,222,983</u>	<u>1,089,508</u>	<u>(133,475)</u>
Expenditures:				
Salaries and benefits	318,279	333,656	333,656	-
Ordinary maintenance	778,513	763,136	707,978	55,158
Debt service	225,671	225,671	225,194	477
Indirect costs	30,499	30,499	30,499	-
Total expenditures	<u>1,352,962</u>	<u>1,352,962</u>	<u>1,297,327</u>	<u>55,635</u>
Excess (deficiency) of revenues over expenditures	<u>(129,979)</u>	<u>(129,979)</u>	<u>(207,819)</u>	<u>(77,840)</u>
Other financing sources (uses):				
Transfers in	150,000	150,000	227,840	77,840
Transfers (out) for pension bond assessment	<u>(20,021)</u>	<u>(20,021)</u>	<u>(20,021)</u>	<u>-</u>
Total other financing sources (uses)	<u>129,979</u>	<u>129,979</u>	<u>207,819</u>	<u>77,840</u>
Net changes in fund balance	-	-	-	-
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Reconciliation to GAAP-basis:

	<u>Expenses</u>	<u>Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 1,297,327	207,819	-
Net change in net pension liability	4,350	-	(4,350)
Net change in OPEB liability	34,939	-	(34,939)
Net change in compensated absences	530	-	(530)
Capital projects expenses	117,750	-	(117,750)
Debt service principal	(162,400)	-	162,400
Refunded bonds redeemed transfers	-	11,795	11,795
Net change in accrued interest	(490)	-	490
Depreciation	<u>137,046</u>	<u>-</u>	<u>(137,046)</u>
As reported on a GAAP basis	<u>1,429,052</u>	<u>219,614</u>	<u>(119,930)</u>

CITY OF WORCESTER, MASSACHUSETTS

Sewer Enterprise Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance –
Budget and Actual – Budgetary Basis
For the Fiscal Year Ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 37,774,267	37,774,267	36,822,354	(951,913)
Miscellaneous	416,000	416,000	730,276	314,276
Total revenues	<u>38,190,267</u>	<u>38,190,267</u>	<u>37,552,630</u>	<u>(637,637)</u>
Expenditures:				
Salaries and benefits	5,782,571	6,177,478	6,080,297	97,181
Ordinary maintenance	20,720,652	20,325,745	19,699,514	626,231
Capital	24,500	94,500	73,358	21,142
Debt service	7,892,868	7,892,868	7,810,505	82,363
Indirect costs	3,203,844	3,203,844	3,203,844	-
Total expenditures	<u>37,624,435</u>	<u>37,694,435</u>	<u>36,867,518</u>	<u>826,917</u>
Excess of revenues over expenditures	<u>565,832</u>	<u>495,832</u>	<u>685,112</u>	<u>189,280</u>
Other financing sources (uses):				
Transfers in	-	70,000	70,000	-
Transfers (out) for pension bond assessment	<u>(565,832)</u>	<u>(565,832)</u>	<u>(565,832)</u>	<u>-</u>
Total other financing sources (uses)	<u>(565,832)</u>	<u>(495,832)</u>	<u>(495,832)</u>	<u>-</u>
Net changes in fund balance	-	-	189,280	189,280
Budgetary fund balance – beginning	<u>2,628,775</u>	<u>2,628,775</u>	<u>2,628,775</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 2,628,775</u>	<u>2,628,775</u>	<u>2,818,055</u>	<u>189,280</u>

Reconciliation to GAAP-basis:

	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers (Net)</u>	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	37,552,630	36,867,518	(495,832)	189,280
Net change in accrued receivables	1,398,526	-	-	1,398,526
Net change in net pension liability	-	81,926	-	(81,926)
Net change in OPEB liability	-	460,344	-	(460,344)
Net change in compensated absences	-	(7,376)	-	7,376
Net change in claims and judgments	-	(273,870)	-	273,870
Capital projects expenses	-	294,927	-	(294,927)
Capital projects transfers	-	-	166,321	166,321
Debt service principal	-	(4,707,301)	-	4,707,301
Refunded bonds redeemed transfers	-	-	992,467	992,467
Net change in accrued interest	-	60,173	-	(60,173)
Depreciation	-	7,196,106	-	(7,196,106)
As reported on a GAAP basis	<u>38,951,156</u>	<u>39,972,447</u>	<u>662,956</u>	<u>(358,335)</u>

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, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 27,635,461	27,635,461	27,151,426	(484,035)
Miscellaneous	1,007,500	1,007,500	1,296,739	289,239
Total revenues	<u>28,642,961</u>	<u>28,642,961</u>	<u>28,448,165</u>	<u>(194,796)</u>
Expenditures:				
Salaries and benefits	10,619,062	10,619,062	10,288,706	330,356
Ordinary maintenance	3,559,023	3,559,023	3,465,115	93,908
Capital	25,000	25,000	22,507	2,493
Debt service	11,576,472	11,576,472	11,435,090	141,382
Indirect costs	2,072,772	2,072,772	2,072,772	-
Total expenditures	<u>27,852,329</u>	<u>27,852,329</u>	<u>27,284,190</u>	<u>568,139</u>
Excess of revenues over expenditures	<u>790,632</u>	<u>790,632</u>	<u>1,163,975</u>	<u>373,343</u>
Other financing sources (uses):				
Transfers (out) for pension bond assessment	(790,632)	(790,632)	(790,632)	-
Total other financing sources (uses)	<u>(790,632)</u>	<u>(790,632)</u>	<u>(790,632)</u>	<u>-</u>
Net changes in fund balance	-	-	373,343	373,343
Budgetary fund balance – beginning	<u>3,364,162</u>	<u>3,364,162</u>	<u>3,364,162</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 3,364,162</u>	<u>3,364,162</u>	<u>3,737,505</u>	<u>373,343</u>

Reconciliation to GAAP-basis:

	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	28,448,165	27,284,190	(790,632)	373,343
Net change in accrued receivables	(87,899)	-	-	(87,899)
Net change in net pension liability	-	173,072	-	(173,072)
Net change in OPEB liability	-	1,174,213	-	(1,174,213)
Net change in compensated absences	-	(14,163)	-	14,163
Net change in claims and judgments	-	(33,478)	-	33,478
Capital projects expenses	-	987,477	-	(987,477)
Capital projects transfers	-	-	(166,321)	(166,321)
Debt service principal	-	(8,832,550)	-	8,832,550
Refunded bonds redeemed transfers	-	-	371,797	371,797
Net change in accrued interest	-	(79,942)	-	79,942
Depreciation	-	6,732,108	-	(6,732,108)
As reported on a GAAP basis	<u>28,360,266</u>	<u>27,390,927</u>	<u>(585,156)</u>	<u>384,183</u>

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CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2015

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 7,035,131	-	-
Technical Services	-	1,684,656	-
Total general government	<u>7,035,131</u>	<u>1,684,656</u>	<u>-</u>
Public safety:			
Police	514,500	1,338,792	203,351
Fire	1,074,600	11,017,429	-
Inspectional Services	209,905	215,884	-
Communications	-	665,625	-
Total public safety	<u>1,799,005</u>	<u>13,237,730</u>	<u>203,351</u>
Health and human services:			
Elder Affairs	-	1,105,687	24,473
Total health and human services	<u>-</u>	<u>1,105,687</u>	<u>24,473</u>
Public works	<u>3,489,339</u>	<u>34,969,193</u>	<u>602,289</u>
Education	<u>3,358,537</u>	<u>222,289,898</u>	<u>6,775,664</u>
Culture and recreation:			
Library	305,000	13,578,386	-
Auditorium	150,000	1,356,388	-
DCU Center	263,000	58,526,401	-
Hope Cemetery	290,000	742,638	-
Parks	5,097,800	3,694,538	31,719,058
Total culture and recreation	<u>6,105,800</u>	<u>77,898,351</u>	<u>31,719,058</u>
Total governmental activities capital assets	<u>\$ 21,787,812</u>	<u>351,185,515</u>	<u>39,324,835</u>

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
-	-	-	34,236,388	41,271,519
-	86,892	-	-	1,771,548
-	86,892	-	34,236,388	43,043,067
45,000	245,038	-	-	2,346,681
3,162,941	298,543	696,639	-	16,250,152
-	-	-	-	425,789
-	-	-	-	665,625
3,207,941	543,581	696,639	-	19,688,247
-	-	-	-	1,130,160
-	-	-	-	1,130,160
1,307,422	582,523	115,874,966	113,420,796	270,246,528
563,137	4,669,351	-	8,930,699	246,587,286
-	541,948	-	-	14,425,334
-	-	-	-	1,506,388
-	214,685	-	-	59,004,086
-	-	-	-	1,032,638
195,319	214,449	1,292,367	10,059,935	52,273,466
195,319	971,082	1,292,367	10,059,935	128,241,912
5,273,819	6,853,429	117,863,972	166,647,818	708,937,200

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, 2015

<u>Function and activity</u>	<u>Governmental activities capital assets July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental activities capital assets June 30, 2015</u>
General government:				
Manager	\$ 37,384,451	3,887,068	-	41,271,519
Information Services	1,838,969	-	67,421	1,771,548
Total general government	<u>39,223,420</u>	<u>3,887,068</u>	<u>67,421</u>	<u>43,043,067</u>
Public safety:				
Police	2,334,410	322,031	309,760	2,346,681
Fire	16,381,049	950,000	1,080,897	16,250,152
Inspectional Services	462,775	-	36,986	425,789
Communications	692,592	-	26,967	665,625
Total public safety	<u>19,870,826</u>	<u>1,272,031</u>	<u>1,454,610</u>	<u>19,688,247</u>
Health and human services:				
Elder Affairs	1,194,082	154,944	218,866	1,130,160
Public works	<u>247,587,230</u>	<u>34,689,868</u>	<u>12,030,570</u>	<u>270,246,528</u>
Education	<u>247,631,465</u>	<u>11,910,052</u>	<u>12,954,231</u>	<u>246,587,286</u>
Culture and recreation:				
Library	15,055,152	-	629,818	14,425,334
Auditorium	1,700,795	-	194,407	1,506,388
DCU Center	62,369,748	483,802	3,849,464	59,004,086
Hope Cemetery	1,061,445	-	28,807	1,032,638
Parks	48,103,106	6,525,031	2,354,671	52,273,466
Total culture and recreation	<u>128,290,246</u>	<u>7,008,833</u>	<u>7,057,167</u>	<u>128,241,912</u>
Total governmental activities capital assets	<u>\$ 683,797,269</u>	<u>58,922,796</u>	<u>33,782,865</u>	<u>708,937,200</u>

CITY OF WORCESTER, MASSACHUSETTS
 Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and cash equivalents	\$ 402,821	451,330	(420,691)	433,460
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,679	12,218	(5,679)	12,218
Due to student groups	397,142	451,330	(427,230)	421,242
Total liabilities	\$ 402,821	463,548	(432,909)	433,460

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STATISTICAL SECTION

STATISTICAL SECTION

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

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These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
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These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
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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	178
These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
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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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Table 1

CITY OF WORCESTER, MASSACHUSETTS

Net Position by Component (1)

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 (2)	2015
Governmental activities:										
Net investment in capital assets (1)	\$ 128,364	175,962	187,454	201,247	236,864	280,669	288,776	310,299	333,718	361,677
Restricted	29,255	45,711	65,072	42,371	29,804	42,290	40,376	43,534	54,995	56,178
Unrestricted	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)	(230,791)	(232,785)	(254,054)	(608,267)	(640,192)
Total governmental activities net position	\$ <u>39,112</u>	<u>107,010</u>	<u>89,421</u>	<u>68,295</u>	<u>57,753</u>	<u>92,168</u>	<u>96,367</u>	<u>99,779</u>	<u>(219,554)</u>	<u>(222,337)</u>
Business-type activities:										
Net investment in capital assets (1)	\$ 104,871	99,181	110,861	121,480	120,990	87,708	87,856	86,123	86,648	88,675
Restricted	-	-	-	-	-	1,601	-	-	-	-
Unrestricted	20,271	24,749	11,716	10,026	7,978	8,344	10,776	11,024	(10,304)	(12,425)
Total business-type net position	\$ <u>125,142</u>	<u>123,930</u>	<u>122,577</u>	<u>131,506</u>	<u>128,968</u>	<u>97,653</u>	<u>98,632</u>	<u>97,147</u>	<u>76,344</u>	<u>76,250</u>
Primary government:										
Net investment in capital assets (1)	\$ 233,235	275,143	298,315	322,727	357,854	368,377	376,632	396,422	420,366	450,352
Restricted	29,255	45,711	65,072	42,371	29,804	43,891	40,376	43,534	54,995	56,178
Unrestricted	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)	(222,447)	(222,009)	(243,030)	(618,571)	(652,617)
Total primary government net position	\$ <u>164,254</u>	<u>230,940</u>	<u>211,998</u>	<u>199,801</u>	<u>186,721</u>	<u>189,821</u>	<u>194,999</u>	<u>196,926</u>	<u>(143,210)</u>	<u>(146,087)</u>

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

(2) Net pension liability (and related) per GASB #68 is reported starting in fiscal year 2014.

Table 2

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (2)

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2006	2007	2008 (1)	2009	2010	2011	2012	2013	2014 (3)	2015 (4)
Expenses										
Governmental activities:										
General government	\$ 18,222	19,583	22,268	23,416	20,862	21,026	21,552	24,652	49,096	23,721
Public safety	113,545	115,321	132,411	130,554	126,546	123,114	126,488	129,490	302,717	160,408
Health and human services	20,880	19,873	23,366	21,229	23,994	25,033	20,597	18,396	32,756	16,650
Education	353,126	366,311	406,208	421,160	425,765	432,824	435,526	451,582	548,011	424,350
Public works	27,027	26,954	34,727	41,457	33,387	37,435	39,584	40,387	57,769	47,280
Culture and recreation	15,794	18,621	19,895	16,475	20,018	17,528	21,535	21,756	35,211	27,461
Community development	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820	4,256	4,063
Redevelopment	-	-	-	-	-	-	-	-	-	-
Interest on debt	25,336	25,283	25,366	24,534	25,351	22,573	23,968	-	26,555	21,806
Total governmental activities expenses	577,495	595,819	669,005	683,767	682,041	687,459	693,649	713,956	1,056,371	725,739
Business-type activities:										
Water	22,141	24,727	25,213	25,669	25,638	24,911	24,388	25,734	39,096	27,391
Sewer	24,352	28,309	29,258	31,134	32,742	33,737	35,284	37,991	45,563	39,972
Airport	4,527	4,360	4,703	5,082	5,047	1,417	-	-	-	1,429
Golf course (nonmajor)	1,164	1,180	1,227	1,148	1,122	1,238	1,246	1,293	1,713	-
Total business-type expenses	52,184	58,576	60,401	63,033	64,549	61,303	60,918	65,018	86,372	68,792
Total primary government expenses	\$ 629,679	654,395	729,406	746,800	746,590	748,762	754,567	778,974	1,142,743	794,531
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 12,940	13,925	13,580	11,813	13,536	13,775	15,935	14,969	16,118	17,444
Public works	7,436	8,005	9,160	11,078	10,970	10,986	11,917	9,920	11,356	8,823
Other activities	6,700	7,780	7,641	7,383	8,443	9,738	8,823	8,752	8,770	8,623
Operating grants and contributions	295,107	315,692	326,260	345,103	348,563	368,157	363,538	365,227	374,157	342,932
Capital grants and contributions	5,217	65,551	28,979	23,187	28,084	32,916	10,691	23,252	15,562	24,528
Total governmental activities program revenues	327,400	410,953	385,620	398,564	409,596	435,572	410,904	422,120	425,963	402,350
Business-type activities:										
Charges for services:										
Water	22,735	24,623	24,251	24,993	24,102	25,946	27,002	26,838	28,243	28,360
Sewer	22,449	25,670	26,928	28,939	29,247	31,320	34,443	34,066	36,262	38,951
Airport	978	844	802	862	1,015	152	-	-	-	-
Golf course (nonmajor)	1,041	1,088	1,127	1,048	987	1,035	1,127	1,058	1,096	1,090
Operating grants and contributions	1,006	593	1,174	1,395	1,413	1,282	-	385	-	-
Capital grants and contributions	3,114	2,255	4,226	14,821	3,514	641	2,691	2,106	386	-
Total business-type activities program revenues	51,323	55,073	58,508	72,058	60,278	60,376	65,263	64,453	65,987	68,401
Total primary government program revenues	\$ 378,723	466,026	444,128	470,622	469,874	495,948	476,167	486,573	491,950	470,751

(continued)

Table 2

CITY OF WORCESTER, MASSACHUSETTS
Changes in Net Position (2)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2006	2007	2008 (1)	2009	2010	2011	2012	2013	2014 (3)	2015 (4)
Net (expense)/revenue										
Governmental activities	\$ (250,095)	(184,866)	(283,385)	(285,203)	(272,445)	(251,887)	(282,745)	(291,836)	(630,408)	(323,389)
Business-type activities	(861)	(3,503)	(1,893)	9,025	(4,271)	(927)	4,345	(565)	(20,385)	(391)
Total primary government net (expense)/ revenue	\$ (250,956)	(188,369)	(285,278)	(276,178)	(276,716)	(252,814)	(278,400)	(292,401)	(650,793)	(323,780)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 171,490	179,130	188,930	197,472	205,558	215,511	225,460	233,206	247,313	257,423
Motor vehicle excise taxes	12,096	11,893	12,932	11,393	11,050	11,519	11,866	12,720	13,075	14,305
Intergovernmental	44,146	53,813	54,561	48,493	37,476	36,220	36,298	36,039	36,974	37,844
Other	9,493	10,060	9,000	6,269	9,505	12,809	9,886	11,730	13,227	11,244
Transfers (net)	(580)	(2,291)	(540)	96	(1,733)	13,250	3,366	920	418	(297)
Gain on sale of capital assets	-	-	622	296	-	-	-	564	-	-
Donations	107	159	291	58	47	48	68	69	68	87
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	(3,055)	-	-	-	-
Total governmental activities	236,752	252,764	265,796	264,077	261,903	286,302	286,944	295,248	311,075	320,606
Business-type activities										
Transfers (net)	580	2,291	540	(96)	1,733	(13,250)	(3,366)	(920)	(418)	297
Loss on airport disposal	-	-	-	-	-	(20,193)	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	3,055	-	-	-	-
Total business-type activities	580	2,291	540	(96)	1,733	(30,388)	(3,366)	(920)	(418)	297
Total primary government	\$ 237,332	255,055	266,336	263,981	263,636	255,914	283,578	294,328	310,657	320,903
Changes in Net Position										
Governmental activities	\$ (13,343)	67,898	(17,589)	(21,126)	(10,542)	34,415	4,199	3,412	(319,333)	(2,783)
Business-type activities	(281)	(1,212)	(1,353)	8,929	(2,538)	(31,315)	979	(1,485)	(20,803)	(94)
Total primary government	\$ (13,624)	66,686	(18,942)	(12,197)	(13,080)	3,100	5,178	1,927	(340,136)	(2,877)

(1) OPEB liability was recognized in the financial statements starting in fiscal 2008.

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

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

(4) OPEB expense was reallocated among departments in fiscal 2015.

MTRS in-kind pension expense decreased \$29,508 upon implementation of GASB #68.

(concluded)

Table 3

CITY OF WORCESTER, MASSACHUSETTS
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Total
2006	\$ 171,490	12,096	709	-	-	-	184,295
2007	179,130	11,893	845	-	-	-	191,868
2008	188,930	12,932	1,104	198	20	-	203,184
2009	197,472	11,393	1,483	327	30	-	210,705
2010	205,558	11,050	1,422	1,431	31	-	219,492
2011	215,511	11,519	1,787	2,450	32	-	231,299
2012	225,460	11,866	1,939	2,568	32	-	241,865
2013	233,206	12,720	1,940	2,686	45	-	250,597
2014	247,313	13,075	2,005	2,816	48	966	266,223
2015	257,423	14,305	2,153	3,186	53	805	277,925

(1) In lieu of tax payments are reported in this table starting in fiscal year 2014

Table 4

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (2)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved	9,290	10,025	11,906	6,107	12,029	-	-	-	-	-
Restricted	-	-	-	-	-	1,070	1,444	2,652	7,020	8,425
Unassigned	-	-	-	-	-	17,758	25,520	27,869	27,870	26,823
Total general fund	<u>\$ 9,290</u>	<u>10,025</u>	<u>11,906</u>	<u>6,107</u>	<u>12,029</u>	<u>18,828</u>	<u>26,964</u>	<u>30,521</u>	<u>34,890</u>	<u>35,248</u>
All other governmental funds:										
Reserved	\$ 29,102	34,323	30,418	34,077	24,963	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	18,056	11,171	13,438	17,974	18,098	-	-	-	-	-
Capital projects funds (1)	(12,039)	11,196	34,529	8,215	4,752	-	-	-	-	-
Permanent funds	153	191	125	79	89	-	-	-	-	-
Nonspendable	-	-	-	-	-	14,215	13,918	15,579	11,961	12,935
Restricted	-	-	-	-	-	37,287	31,849	32,228	38,863	39,153
Committed	-	-	-	-	-	22,673	29,057	35,896	39,734	40,025
Unassigned	-	-	-	-	-	(11,518)	(35,686)	(38,492)	(41,479)	(36,088)
Total all other governmental funds	<u>\$ 35,272</u>	<u>56,881</u>	<u>78,510</u>	<u>60,345</u>	<u>47,902</u>	<u>62,657</u>	<u>39,138</u>	<u>45,211</u>	<u>49,079</u>	<u>56,025</u>

(1) Unreserved fund balance in capital projects funds increased when temporary debt outstanding at year end was repaid with permanent debt before the audit reporting date in fiscal 2008.

(2) Fund balances were redefined by GASB Statement #54 starting in fiscal 2011.

Table 5

CITY OF WORCESTER, MASSACHUSETTS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Property taxes	\$ 171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,327	246,742	256,652
Motor vehicle excise taxes	12,189	12,545	12,677	11,370	11,551	11,311	11,888	12,843	13,281	14,265
Other taxes and in-lieu payments	2,252	2,188	3,684	4,941	5,539	6,365	6,015	6,064	6,559	6,872
Penalties and interest on taxes	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532	2,440	2,107
Licenses and permits	5,571	4,354	4,726	4,402	4,890	4,865	5,210	4,992	5,274	5,795
Intergovernmental (2)	350,840	407,873	405,755	411,424	423,208	445,106	417,838	425,047	434,696	380,721
Charges for services	17,913	19,920	21,107	21,055	22,847	23,539	24,988	24,106	24,123	24,137
Fines and forfeitures	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594	3,151	3,097
Investment earnings (losses)	3,100	4,292	2,766	(929)	1,598	2,543	(35)	2,116	3,107	567
Donations	2,640	3,793	4,951	2,468	3,633	5,528	4,677	11,396	5,997	5,059
Contributions to permanent funds	107	159	291	58	47	48	68	69	69	87
Miscellaneous	1,725	1,295	1,013	1,246	1,621	89	1,723	1,452	1,845	2,259
Total revenues	573,619	639,868	652,111	659,554	685,228	720,855	703,590	726,538	747,284	701,618
EXPENDITURES										
General government	14,314	15,720	17,957	16,644	15,308	15,936	28,650	31,911	25,559	24,574
Public safety	82,119	87,316	93,942	92,323	89,308	90,395	94,006	93,314	96,604	97,773
Health and human services	17,045	16,470	19,649	18,172	21,118	22,499	17,788	15,547	14,872	13,619
Education (1)	261,385	257,076	261,869	285,359	297,701	302,392	299,134	296,957	316,669	313,239
Public works	29,629	44,611	49,363	39,126	39,087	53,773	55,072	61,137	53,607	61,059
Culture and recreation	11,323	14,203	14,766	16,753	20,952	17,402	16,758	26,590	35,534	22,027
Fringe benefits (2)	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073	157,319	103,581
Community development	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820	4,256	4,064
State & regional charges	19,445	20,551	23,914	26,102	26,865	28,255	29,526	31,243	30,627	30,659
Debt service:										
Principal	30,430	32,886	32,774	34,761	36,637	38,813	36,747	36,746	37,922	54,979
Interest	25,034	26,020	25,829	26,098	24,827	24,023	26,890	27,269	27,964	23,825
Total expenditures	620,670	649,472	681,040	684,598	716,820	748,733	752,692	770,607	800,933	749,399
Excess of revenues (under) expenditures	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)	(27,878)	(49,102)	(44,069)	(53,649)	(47,781)

(continued)

Table 5

CITY OF WORCESTER, MASSACHUSETTS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 14,048	13,968	21,296	23,452	21,954	51,549	27,305	27,117	25,473	33,917
Transfers (out)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)	(38,299)	(23,832)	(26,197)	(25,055)	(34,215)
Premium on issuance of bonds and notes	702	464	423	651	820	804	479	3,789	3,366	4,081
Sale of capital assets	-	-	1,366	325	29	478	-	840	-	-
Premium from issuance of refunding bonds	-	-	-	-	-	-	-	300	-	2,305
Issuance of refunding bonds	55,960	-	-	542	-	-	7,422	3,015	-	7,407
Issuance of bonds and notes	-	33,775	50,067	-	25,955	34,900	29,867	48,150	52,492	41,589
Payments to refunded bond escrow agent	(55,960)	-	-	-	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	(535)	-	-	(7,521)	(3,315)	-	-
Capital lease	-	-	-	-	-	-	-	-	5,609	-
Total other financing sources (uses), net	122	31,948	52,439	1,079	25,072	49,432	33,720	53,699	61,885	55,084
Net change in fund balances	\$ (46,929)	22,344	23,510	(23,965)	(6,520)	21,554	(15,382)	9,630	8,236	7,303
Debt service as a percentage of noncapital expenditures	9.4%	9.6%	9.2%	9.3%	9.3%	9.2%	9.2%	9.1%	9.1%	11.4%

(1) In fiscal year 2014, expenditure includes acquisition of capital assets with a capital lease totaling \$5,609.

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

(concluded)

Table 6

CITY OF WORCESTER, MASSACHUSETTS
 Governmental Funds Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Special Assessments (1)	Total
2006	\$171,484	12,189	709	-	-	-	-	184,382
2007	177,781	12,545	845	-	-	-	-	191,171
2008	189,419	12,677	1,104	198	20	-	-	203,200
2009	197,777	11,370	1,483	327	30	-	-	210,630
2010	204,832	11,550	1,422	1,431	31	-	-	219,266
2011	216,370	11,311	1,787	2,450	32	-	-	231,950
2012	225,501	11,888	1,939	2,568	32	-	-	241,928
2013	233,328	12,843	1,940	2,686	45	-	-	250,842
2014	246,742	13,281	2,005	2,816	48	966	724	266,582
2015	256,652	14,265	2,153	3,186	53	805	674	277,788

(1) In lieu of tax payments and special assessments are reported in this table starting in fiscal year 2014

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of
Accounting
Year ended June 30, 2015

Graph 1

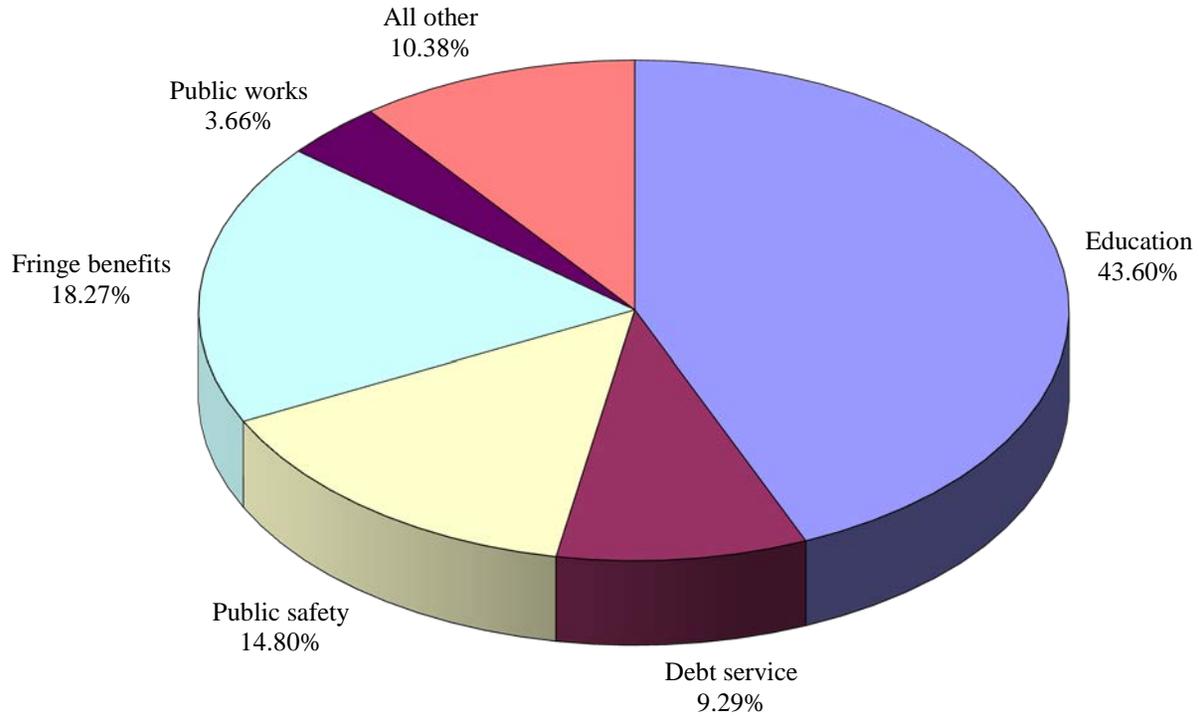


Table 7

CITY OF WORCESTER, MASSACHUSETTS
 General Fund Expenditures – Modified Accrual Basis of Accounting
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	\$ 12,574	13,316	13,785	13,981	12,749	13,730	14,598	15,570	16,809	17,930
Public safety	71,360	74,813	78,576	79,656	76,689	74,931	77,812	80,413	82,546	83,930
Health and human services	3,629	3,832	3,776	2,639	575	675	764	926	730	860
Education	199,411	191,976	197,241	199,840	198,001	205,918	222,923	235,106	250,819	247,223
Public works	17,537	16,610	20,121	22,491	18,096	18,255	18,030	18,995	19,740	20,758
Culture and recreation	7,679	8,441	8,400	9,016	7,955	7,807	8,123	8,467	8,951	9,385
Fringe benefits (1)	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073	157,319	103,581
State and regional charges	19,445	20,550	23,914	26,102	26,865	28,254	29,526	31,243	30,627	30,659
Debt service	44,114	45,466	45,328	45,523	46,853	47,095	47,067	47,510	48,996	52,677
Totals	\$ <u>502,130</u>	<u>505,750</u>	<u>527,354</u>	<u>523,566</u>	<u>526,682</u>	<u>543,984</u>	<u>562,565</u>	<u>586,303</u>	<u>616,537</u>	<u>567,003</u>

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

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues – Modified Accrual Basis of Accounting
Year ended June 30, 2015

Graph 2

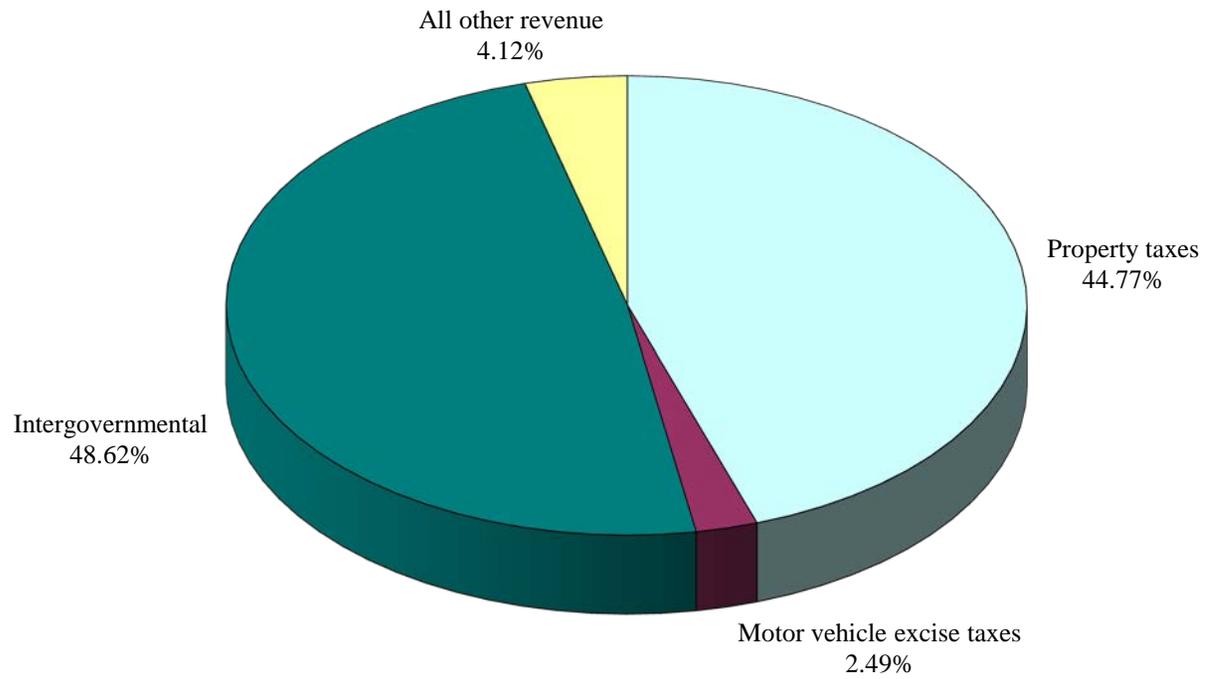


Table 8

CITY OF WORCESTER, MASSACHUSETTS
 General Fund Revenues – Modified Accrual Basis of Accounting
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Property taxes	\$ 171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,328	246,742	256,652
Motor vehicle excise taxes	12,189	12,545	12,677	11,370	11,550	11,311	11,888	12,843	13,281	14,265
Other taxes and in-lieu payments	2,252	2,188	2,556	2,529	3,208	4,934	4,440	4,413	4,804	4,777
Penalties and interest on taxes	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532	2,440	2,107
Licenses and permits	5,571	4,355	4,726	4,402	4,890	4,865	5,210	4,992	5,274	5,795
Intergovernmental (1)	293,362	295,983	311,475	295,327	303,512	306,267	321,719	332,726	342,950	278,742
Charges for services	3,760	5,684	6,232	5,918	5,909	5,939	5,814	5,746	5,683	5,566
Fines and forfeitures	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594	3,151	3,097
Investment earnings	2,140	2,349	1,806	462	105	68	100	318	484	554
Miscellaneous	852	1,093	773	790	1,438	1,429	1,318	1,112	1,246	1,727
Totals	\$ <u>497,408</u>	<u>507,646</u>	<u>535,386</u>	<u>524,317</u>	<u>540,906</u>	<u>556,274</u>	<u>581,707</u>	<u>600,604</u>	<u>626,055</u>	<u>573,282</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Assessed Valuation
Last Ten Fiscal Years
(Amounts expressed in millions)

Graph 3

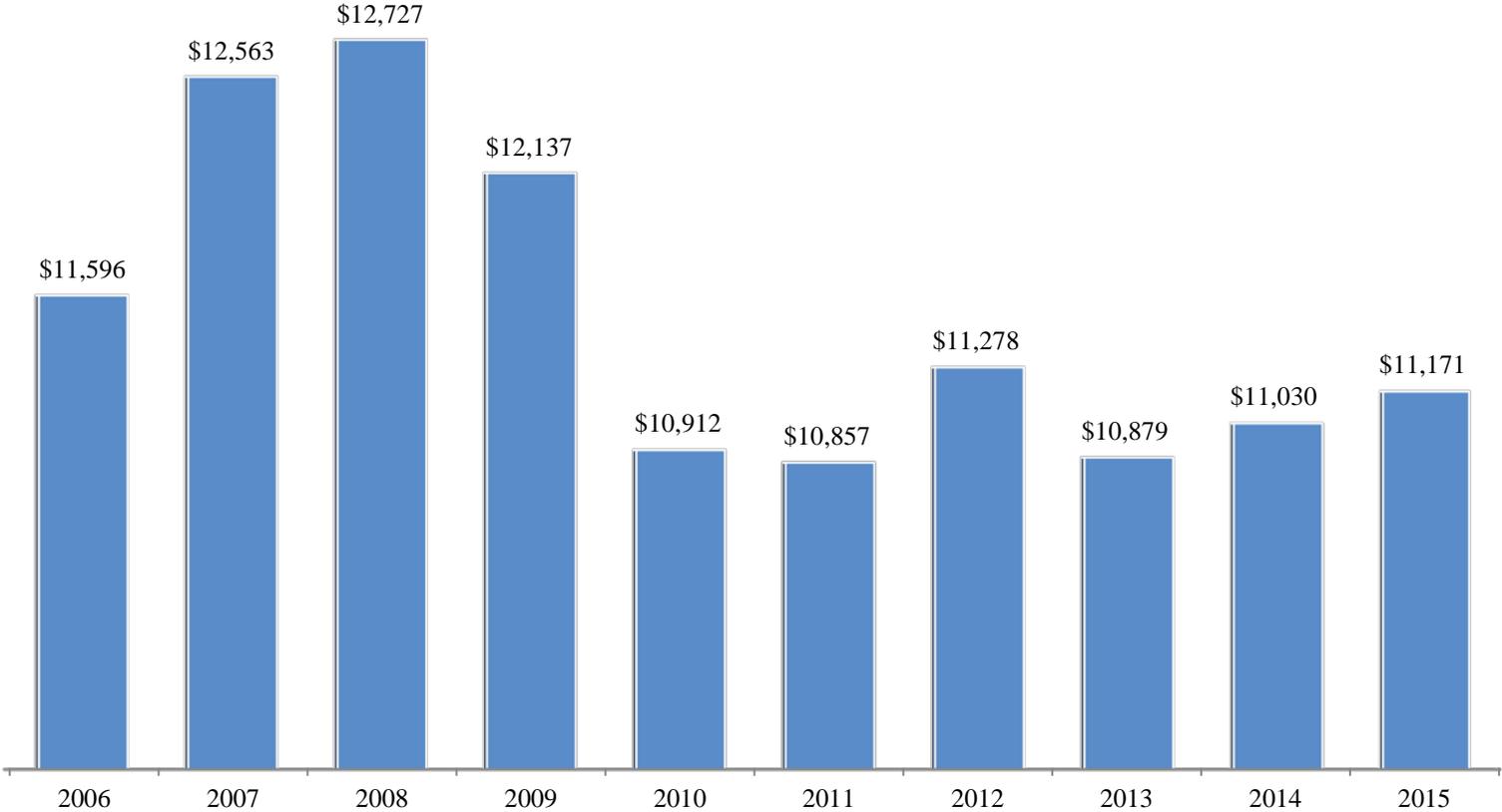


Table 9

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 taxable 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							
2006	\$ 9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	\$ 2,494,021	14,089,549	17.70 %
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
2009	9,816,042	1,933,249	387,967	12,137,258	16.41	13,827,180	87.78	3,004,042	15,141,300	19.84
2010	8,585,028	1,916,902	410,012	10,911,942	19.02	13,827,180	78.92	2,996,065	13,908,007	21.54
2011	8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	2,960,659	13,817,521	21.43
2012	8,157,509	2,527,779	592,328	11,277,616	20.32	11,928,304	94.55	4,460,004	15,737,620	28.34
2013	7,817,607	2,477,244	584,005	10,878,856	22.03	12,173,645	89.36	4,419,631	15,298,487	28.89
2014	7,902,180	2,535,314	592,517	11,030,011	22.74	12,173,645	90.61	4,920,225	15,950,236	30.85
2015	7,940,489	2,529,870	700,912	11,171,271	23.44	11,615,944	96.17	4,945,157	16,116,428	30.68

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

Table 10

CITY OF WORCESTER, MASSACHUSETTS
 Direct Property Tax Rates (1) (2)
 Last Ten Fiscal Years

<u>Fiscal Year</u>		<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
2006	\$	12.53	25.20	25.20	14.88
2007		12.10	25.32	25.32	14.47
2008		12.54	26.20	26.20	14.97
2009		13.50	28.72	28.72	16.41
2010		15.15	33.28	33.28	19.02
2011		16.06	34.65	34.65	20.10
2012		16.98	29.07	29.07	20.32
2013		18.58	30.85	30.85	22.03
2014		19.54	30.83	30.83	22.74
2015		20.07	31.73	31.73	23.44

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. 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
 Principal Taxpayers - Current Year and Nine Years Ago
 June 30, 2015
 (Amounts expressed in thousands)

Taxpayer	Type of business	2015				2006			
		Assessed valuation	Rank	Fiscal 2015 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2006 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 327,933	1	\$ 10,405	4.01 %	\$ 126,452	1	\$ 3,186	1.85 %
Nstar Gas Co	Gas utility	135,775	2	4,308	1.66	49,169	4	1,239	0.72
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	130,673	3	4,146	1.60	34,869	9	879	0.51
New England Power Co	Electric utility	65,478	4	2,063	0.80	N/A	N/A	N/A	N/A
V3B SA LLC (Lincoln Plaza)	Shopping plaza	61,194	5	1,942	0.75	39,009	8	983	0.57
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	57,626	6	1,828	0.70	30,641	10	772	0.45
440 Lincoln St Holding (Hanover/Allmerica)	Insurance	56,278	7	1,786	0.69	51,836	2	1,306	0.76
Verizon New England	Communications	52,883	8	1,678	0.65	40,665	7	1,025	0.59
Worcester TC LLC (Abbott Bioresearch)	Biotechnology park	42,479	9	1,348	0.52	43,827	6	1,104	0.64
St. Gobain Abrasives Inc. (Norton Company)	Abrasives manufacturer	39,818	10	1,263	0.49	N/A	N/A	N/A	N/A
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	N/A	N/A	N/A	N/A	45,271	5	1,141	0.66
Alexandria Real Estate Equities	Biotechnology park	N/A	N/A	N/A	N/A	51,676	3	1,302	0.75
Totals		<u>\$ 970,137</u>		<u>\$ 30,767</u>	<u>11.87 %</u>	<u>\$ 513,415</u>		<u>\$ 12,937</u>	<u>7.50 %</u>

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

Source: Assessor's department

Table 12

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal Year	Total net tax levy for fiscal year	Collected within the Fiscal year of the levy		Collections in Subsequent Years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2006	\$ 170,651	166,275	97.44%	\$ 4,376	170,651	100.00%
2007	179,464	173,398	96.62	6,066	179,464	100.00
2008	188,601	182,941	97.00	5,660	188,601	100.00
2009	197,187	191,590	97.16	5,597	197,187	100.00
2010	205,117	199,535	97.28	5,582	205,117	100.00
2011	215,790	210,277	97.45	5,344	215,621	99.92
2012	224,025	220,352	98.36	2,855	223,207	99.63
2013	237,120	230,540	97.23	4,874	235,414	99.28
2014	247,808	241,606	97.50	4,396	246,002	99.27
2015	259,433	252,256	97.23	-	252,256	97.23

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental activities			Business-type activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Section 108 Note	Capital Leases	General Obligation Bonds (1)	Sewer Note			
2006	\$ 492,672	5,800	-	103,867	991	603,330	15.63%	\$ 3,609
2007	493,498	5,800	-	112,785	949	613,032	15.82	3,511
2008	510,634	5,800	-	133,996	906	651,336	16.81	3,975
2009	476,965	4,706	-	124,627	863	607,161	15.07	3,301
2010	466,464	4,608	-	126,375	819	598,266	14.86	3,285
2011	465,688	4,505	-	125,346	774	596,313	14.71	3,264
2012	458,847	4,396	-	123,850	1,693	588,786	14.59	3,205
2013	472,522	4,283	-	135,543	1,645	613,993	14.82	3,332
2014	489,322	4,164	5,048	137,315	1,480	637,329	15.58	3,439
2015	490,070	2,216	3,987	140,743	1,950	638,966	15.50	3,422

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

(1) Amounts include related premiums

(2) Source: Massachusetts Department of Revenue

(3) Population data based on 2000 and 2010 Census

Table 14**CITY OF WORCESTER, MASSACHUSETTS**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal year	General Obligation Bonds (1)	Percentage of Assessed Value (2)	Total Per capita (3)
2006	\$ 596,539	5.14%	\$ 3,568
2007	606,283	4.83	3,472
2008	644,630	5.07	3,934
2009	601,592	4.96	3,271
2010	592,839	5.43	3,255
2011	591,034	5.44	3,235
2012	582,697	5.17	3,171
2013	608,065	5.59	3,299
2014	626,637	5.68	3,380
2015	630,813	5.65	3,377

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

- (1) Amounts include related premiums
- (2) See Table of Assessed Value and Estimated Value of Taxable Property
- (3) Population data based on 2000 and 2010 Census

Table 15

CITY OF WORCESTER, MASSACHUSETTS

Legal Debt Margin
Last Ten Fiscal Years
(Amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 484,731	632,729	632,729	691,359	691,359	596,415	596,415	608,682	608,682	580,797
Total net debt applicable to limit	208,140	268,676	268,621	280,473	263,915	342,654	320,926	340,605	447,418	537,007
Legal debt margin	\$ 276,591	364,053	364,108	410,886	427,444	253,761	275,489	268,077	161,264	43,790
Total net debt applicable to the limit as a percentage of debt limit	42.94%	42.46%	42.45%	40.57%	38.17%	57.45%	53.81%	55.96%	73.51%	92.46%

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized valuation - real estate and personal property (January 29, 2015)	\$ 11,615,944	
Debt limit - 5% of equalized valuation		580,797
Total bonded debt (including authorized and unissued of \$505,489)	\$ 1,123,609	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(405,155)
Less bonded debt authorized but not yet issued which is outside the debt limit		(181,447)
Legal debt margin	\$	43,790

Table 16

CITY OF WORCESTER, MASSACHUSETTS
 Demographic and Economic Statistics
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (2)</u>	<u>Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2006	166,199	\$ 3,838,320	23,095	33.3	23,404	5.7%
2007	173,599	3,852,044	22,189	34.2	23,682	6.3
2008	163,006	3,853,888	23,643	35.1	22,844	5.7
2009	182,892	4,005,468	21,901	33.6	23,126	9.3
2010	181,045 (3)	4,001,567	22,103	33.4 (3)	23,281	9.6
2011	181,641	4,029,111	22,182	33.8	23,490	10.0
2012	182,680	4,013,313	21,969	32.7	24,360	9.3
2013	182,538	4,103,841	22,482	32.7	24,740	9.8
2014	183,033	4,039,704	22,071	33.0	24,562	7.5
2015	183,033 (6)	4,039,704 (6)	22,071 (6)	33.0 (6)	25,254	6.2

(1) Source: U.S. Census Bureau: American Community Survey estimates

(2) Source: US Census; American Community Survey: (total household income) x (mean income)

(3) US Census Bureau: 2010 census

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

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

(6) Data is not available, prior year data is used

Table 17

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	197	200	201	175	176	167	175	181	194	187
Public safety										
Police										
Officers	468	465	448	438	415	409	418	426	441	427
Civilians	53	54	51	49	49	49	49	49	51	52
Fire										
Officers	410	402	403	384	385	399	413	393	407	386
Civilians	10	11	11	9	8	8	10	9	10	10
Other public safety	86	89	97	116	110	105	110	112	114	111
Health and human services	102	96	94	56	53	54	55	56	57	53
Education	3,658	3,506	3,384	3,433	3,446	3,478	3,456	3,499	3,552	3,565
Public works	189	185	189	189	174	163	158	168	171	172
Culture and recreation	133	129	135	129	125	117	115	122	130	135
Water	111	106	105	111	109	102	100	107	109	111
Sewer	54	55	54	58	59	52	50	51	53	51
Airport	18	17	16	16	17	20	—	—	—	—
Golf course (nonmajor)	3	3	2	2	2	2	2	2	2	2
Totals	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>	<u>5,165</u>	<u>5,128</u>	<u>5,125</u>	<u>5,111</u>	<u>5,175</u>	<u>5,291</u>	<u>5,262</u>

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

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Principal Employers

Current year and nine years ago

Employer	Type of business	2015			2006		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care, Inc.	Health care	12,906	1	12.95%	10,000	1	12.84%
City of Worcester	Government and education	5,262	2	5.28	5,492	2	7.05
Umass Medical School	Education	4,400	3	4.42	3,000	3	3.85
Reliant Medical Group	Health care	2,604	4	2.61	N/A	N/A	N/A
Saint Vincent Hospital	Health care	2,331	5	2.34	2,098	5	2.69
The Hanover Insurance Group, Inc.	Insurance	1,800	6	1.81	2,100	4	2.70
Saint Gobain Abrasives, Inc.	Abrasives manufacturer	1,658	7	1.66	1,850	6	2.38
Seven Hills Foundation, Inc.	Health and human services	1,600	8	1.61	N/A	N/A	N/A
Quinsigamond Community College	Education	1,146	9	1.15	N/A	N/A	N/A
College of the Holy Cross	Education	1,132	10	1.14	1,099	7	1.41
Worcester State College	Education	N/A	N/A	N/A	1,084	8	1.39
Fallon Health, Inc.	Health care	N/A	N/A	N/A	800	9	1.03
Clark University	Education	N/A	N/A	N/A	783	10	1.01

Sources: 2015 - Worcester Business Journal
2006 - Worcester Area Chamber of Commerce

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police (1)										
Total arrests	7,853	8,581	9,360	8,658	7,584	7,174	6,785	7,385	8,124	N/A
Different individuals arrested	5,916	6,671	7,082	6,584	5,837	5,591	5,204	5,627	5,935	N/A
Arrests for selected charges										
Drug-related	2,829	2,668	2,574	2,582	844 (2)	705	719	850	762	N/A
Assault and battery	679	571	679	704	1,465 (2)	1,409	1,309	1,327	1,266	N/A
Disorderly conduct, disturbing peace	1,071	1,201	1,291	1,210	1,222	1,054	920	916	888	N/A
Prostitution and related	232	178	214	223	133	156	121	181	160	N/A
Sexual assault, including rape	33	29	41	39	38	20	28	28	23	N/A
Armed robbery	57	66	70	43	59	70	47	64	48	N/A
Murder/manslaughter, attempted murder	7	14	6	12	10	15	15	7	11	N/A
Fire (1)										
Total Incidents	22,076	22,498	24,735	29,002	27,605	27,782	28,348	28,333	30,099	N/A
Selected incidents										
EMS	14,558	15,654	15,086	18,167	20,285	19,654	20,472	20,307	21,707	N/A
Structure fires	749	681	663	828	732	728	845	779	799	N/A
Arson fires	29	28	29	37	25	30	43	29	18	N/A
Vehicle fires	184	139	132	120	96	123	102	82	78	N/A
Good intent	1,322	1,514	1,452	1,665	1,571	1,621	1,819	2,137	2,127	N/A
False alarm	3,102	2,971	3,134	3,849	2,926	3,177	2,871	3,017	3,070	N/A
Highways and streets										
Streets and resurfacing (1)	14	15	15	14	11	11	16	21	12	12
Potholes repaired	13,403	11,489	13,088	12,030	14,932	12,954	9,392	9,264	12,320	18,095
Sanitation										
Refuse collected (tons/day)	102.78	100.30	91.06	88.65	82.30	81.83	81.71	79.30	79.22	80.97
Recyclable collected (tons/day)	37.20	34.77	36.07	33.97	34.71	36.1	35.42	36.4	37.13	37.91
Water										
New connections	373	271	239	188	48	95	104	97	98	109
Water main breaks	50	56	55	72	52	74	29	55	42	80
Average daily consumption (thousands of gallons)	22,681	22,187	22,960	22,264	21,225	22,099	22,539	22,110	21,700	22,682
Wastewater										
Average daily sewage treatment (thousands of gallons)	30,156	33,200	31,700	34,600	31,160	26,550	33,000	25,200	22,300	25,060

Source: Various government departments

(1) Based on a calendar year rather than a fiscal year.

(2) During 2010 the arrest categories were redefined, and no distinction was made between aggravated assault and simple assault, pursuant to Massachusetts General Law. Prior to 2010 only aggravated assault is shown.

N/A - data is not available for calendar year 2015

Table 20

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	11	11	11	10	10	10	10	10	10	10
Education:										
Schools	49	45	46	46	45	46	46	46	46	46
Libraries	3	3	3	3	3	3	4	4	4	4
Public works										
Streets:										
Streets (miles)	416	418	420	423	424	425	430	431	431	435
Sidewalks (miles)	478	480	483	487	487	489	488	488	487	487
Streetlights	13,238	13,275	13,321	13,321	13,759	13,759	13,759	13,759	13,763	13,783
Water:										
Main pipes (miles) (1)	592	582	582	584	585	586	585	585	597	597
Fire hydrants (2)	5,951	5,658	5,675	5,680	5,726	5,748	5,762	5,770	5,805	5,827
Reservoirs	10	10	10	10	10	10	10	10	10	10
Reservoir gallons of capacity (in thousands)	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938
Sewers:										
Sanitary sewers (miles)	392	392	393	396	396	397	397	398	398	398
Combined sewers (miles)	65	65	61	61	61	61	61	61	61	61
Surface sewers (miles)	364	364	368	370	371	371	371	372	371	371
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard (3)	N/A	981	981	981	981	981	981	981	981	994
Union Station (3)	N/A	N/A	N/A	N/A	500	500	500	500	500	500
Culture and recreation										
Parks										
Parks and playground acreage	1,316	1,316	1,316	1,316	1,316	1,328	1,328	1,328	1,328	1,326
DCU Center										
Seating capacities										
Center stage	14,639	14,639	14,639	14,639	14,639	14,639	14,800	14,606	14,596	14,595
End stage	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,587	14,587	14,581
Basketball	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,342	13,342	13,347
Hockey with open curtain	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,118	12,118	12,118
Hockey with closed curtain (3)	N/A	6,880	6,880	6,880	7,230	7,230	7,230	7,304	7,304	7,304
Ice show	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,198	12,198	12,198
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

- (1) Beginning in fiscal year 2007, service laterals, hydrant laterals and fire pipes were not included in the miles of water mains.
- (2) Beginning in fiscal year 2007, private hydrants were not included in the number of fire hydrants.
- (3) N/A is being reported because the Major Taylor Boulevard and Union Station garages did not open until 2007 and 2010, respectively.
N/A is also being reported because hockey with closed curtain did not begin until 2007.