

# CITY OF WORCESTER

## Massachusetts



Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019



## **CITY OF WORCESTER, MASSACHUSETTS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

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, 2019

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Glossary of terms

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# **INTRODUCTORY SECTION**



**CITY OF WORCESTER, MASSACHUSETTS**  
**AUDITING DEPARTMENT**

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

December 6, 2019

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, 2019 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, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. CliftonLarsonAllen LLP has issued an unmodified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2019. The independent auditors' report is presented as the first component of the financial section of this report. A management letter is issued for any matters that come to the attention during the course of the audit including special projects that are conducted each year by the CPA firm.

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

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

### **City of Worcester Government**

Worcester was settled in 1673 and incorporated as a town in 1722 and as a city in 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles west of Boston, 52 miles east of Springfield, and 40 miles north of Providence, RI. The City occupies 39 square miles and is the second largest populated city in New England with a population of just over 185,000 according to projected estimates by the U.S. Census Bureau since the last federal census in 2010.

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

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

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

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 123 through 130 as part of required supplementary information.

### **Local economy**

Worcester has over 7,300 establishments in multiple industries of construction, manufacturing, transportation, utilities, trade and retail, information, financial, professional, education, health, hospitality and government generating total wages of over \$5.9 billion. Employment is over 105,000 with health and education making up the largest percentage at 50% of employment by industries and representing nine of the top fifteen employers in the City while providing stability to the local economy. Other notable industries include construction and manufacturing 8% of the workforce, leisure and hospitality 8%, and retail trade 6%. Worcester is home to nine colleges and universities with over 36,000 full and part-time students and over 11,000 employees. Also located within Worcester are two major hospitals serving central Massachusetts. The UMass Memorial Health Care system employs 11,491 while St. Vincent Hospital employs 2,450. The school district and the City of Worcester also have a significant economic presence, employing 5,636 employees including teachers, professionals and support staff.

The unemployment rate of the City as of June 30, 2019 was 4.0% and decreased from 4.9% from the year before. By comparison for the same periods the state's unemployment rate was 3.1% and 3.9%, respectively and the national average was 3.7% and 4.0%, respectively. Median household income estimates for the calendar year 2018 within the City of Worcester were \$46,967 based on approximately 72,000 households compared to \$79,835 for the state based on 2.6 million households and \$61,937 on a national level. Median household income for the statistical metropolitan area defined by the U.S. federal government as Worcester MA-CT Metropolitan NECTA (New England city and town area) was estimated \$70,869 for 2018 based on approximately 350,000 households.

According to the state's school district profiles, 58% of the 25,415 enrollment at Worcester Public Schools for the school year 2018-2019 are considered economically disadvantaged compared to the state average of 31%. In addition, the large numbers of college students residing in the city also have an effect by lowering the average income levels.

Worcester's total taxable assessed property value increased to \$13.5 billion in fiscal 2019 based on the legal assessment date of January 1, 2018. Values increased \$.8 billion or 6% more than the previous year. Tax-exempt real property represented 30% of the total assessed values at \$5.7 billion and remained unchanged from the year before. Expectations for continued growth and increased valuations are reasonable given the ongoing private and public redevelopment. A recent study by Colliers International reported that as of June 30, 2019, a sample of 2.9 million square feet of office space in Worcester was 91% occupied compared to 89% in the prior year.

### **Major Development Projects**

In fiscal 2019, the City authorized the borrowing of \$101 million to construct a AAA minor league ballpark with a capacity of 10,000. District improvement financing (DIF) will be used to pay the debt service over thirty years. New revenue generated will include tax increment financing from ancillary development in surrounding parcels, rent income from the baseball team, and other ancillary income. The state is providing \$35 million of funding in the construction of a new parking garage and tax credits that support the development of market rate housing. Additionally the state will be making major traffic improvements in the area. The first phase of private development within the ballpark district totals \$115 million and includes the construction of two hotels, office and retail space, and residential apartments. A second phase is envisioned to add 200,000 square feet of mixed use residential, retail and office space bringing additional revenue to the ballpark finance district.

The \$500 million CitySquare project is a multiphase public/private redevelopment project transforming downtown into a vibrant working and living environment. Projects completed recently include a \$92 million complex with 365 luxury apartments, street level retail shops and a parking garage. The apartments and retail space are fully occupied. Other construction recently completed include a \$33 million 168 room hotel and restaurant, and the redevelopment of 640,000 office and retail space \$75 million bringing 630 more employees to downtown. A city owned underground public parking garage \$42 million was placed into service in fiscal 2017.

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

The Worcester Regional Airport, acquired by the Massachusetts Port Authority from the City in 2010 and carrying passengers since 2013 added a second commercial carrier in 2018. Total passengers for fiscal 2019 increased to 179,000 or 59% over the prior year. Flights from the airport now include New York, Philadelphia, Orlando and Fort Lauderdale. In fiscal 2020, a third commercial carrier will have scheduled flights to Detroit.

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

A new replacement elementary school was completed and opened in the fall 2017 school year with a cost in excess of \$50M that was funded 62% by the state through the Massachusetts School Building Authority (MSBA). The new school is LEED certified that will double the square footage while expecting to consume half the energy of the old school building. The City began construction on a replacement high school that will include district-wide amenities with a projected cost of \$209M funded 53% by the state through the MSBA. A feasibility study is currently determining the potential to replace another high school. A number of other MSBA projects at several schools replaced doors, window and upgraded boilers making those schools more energy efficient.

In fiscal 2019, the City continued work on a major sewer extension project along Route 20. The \$20 million investment in infrastructure will increase capacity in an underdeveloped area and attract economic development. The state has provided \$10 million award to match the City's investment.

Local businesses and colleges have also recently completed or are planning future major development projects in the City including housing, retail, educational, cultural, entertainment, sports, hospitality, manufacturing, health and wellness.

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

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

In 2017, the City Council updated its financial plan to increase the target of general fund reserves to 10% of combined balances in undesignated fund balance and the bond rating stabilization fund; to prefund a new high school construction stabilization fund for the planned construction of two new high schools; to offset increases in the prior year tax levy with excess new growth defined as new growth levy above what is budgeted; updated the borrowing cap from one based on inflation to one tied to the five-year capital improvement plan with debt service that is supported by the general fund limited to 8% to 10% of budget; and to establish an expendable trust fund for OPEB and an OPEB board of trustees to manage its investments. Elements of the former financial plan were retained including reporting and the free cash policy to transfer 50% of free cash to a stabilization fund, 30% to OPEB trust and 20% available for operations.

As of June 30, 2019, the City's combined balance in its unassigned general fund reserves totaled \$48M and was 7% of general fund revenues and other financial sources. During 2019 the City continued to make contributions to finance the new high school construction stabilization fund with a transfer totaling \$3M and a cumulative fund balance of \$5.8M at June 30, 2019. Debt service supported by the general fund including transfers to the debt service fund totaled 10% of the budget.

General fund revenue sources to the City during fiscal 2019 included 45% from the property tax levy, 7.5% from local and other sources and 47.5% from state aid. The City did not tax all of its levy capacity and had a total of \$18.0 million in untaxed levy capacity at the end of fiscal 2019 up from \$13.7 million for fiscal 2018. Total combined reserves in the unassigned general fund and the debt service fund increased \$5.8 million to \$69.0 million or 10% of general fund and debt service revenue.

The City's use of tax increment financing and exemptions (TIF, TIE) and district improvement financing (DIF) as well as the development by the local colleges have helped attract private investment in new construction and redevelopment of vacant buildings including some designated as historical sites and some former industrial sites currently unused. Through the creation of the DCU Center DIF the City was able to provide a revenue stream with local hotel and meals tax in a designated area to finance debt service specific to the DCU Center's capital improvements. The City received \$2.4 million of designated hotel and meals taxes in fiscal 2019 and paid \$2.6 million in related debt service and \$500 thousand in tourism and marketing services. The operations of the DCU Center were self-sustaining without the need for tax levy subsidies for fiscal 2019. The CitySquare DIF received \$3.0 million from related TIFs for the year ended June 30, 2019 and is due \$1.0 million in other miscellaneous revenue to fund debt service that totaled \$4.2 million for fiscal 2019. There was an unused fund balance of \$1.0 million at year-end in the CitySquare DIF fund. The City also formed a new financing district for the ballpark area where the incremental property taxes on new commercial construction and other revenue such as team rent, parking income, and hotel and meal excise will fully fund the City's debt to build the ballpark with estimated total bond borrowings of \$101 million. For fiscal 2019 there were eighteen TIF/TIE plans that were active in fiscal 2019 and eight other projects underway or planned for the future. The active projects generated more than \$386 million in private investment and over \$220 million in new taxable values. For the year ended June 30, 2019, the city received \$3.6 million in real estate taxes related to the eighteen active projects and provided \$3.8 million in exemptions.

The City continues to pursue grants and other resources that keep the borrowing within the capital improvement plan. Grants for street and sidewalk projects totaled \$5 million which have reduced the amount the City has needed to borrow for infrastructure. The City has made significant investments in its school buildings from grants from the state's Massachusetts School Building Authority (MSBA) for new school construction and the replacement of windows, doors and boilers at several other schools increasing the energy efficiency of the school buildings. Total MSBA grants received in fiscal 2019 was \$28 million.

The City has invested over \$81 million in an energy improvement program between 2011 and 2019 that includes HVAC upgrades, building infiltration, water conservation, energy efficient replacement lighting for buildings and streetlights, solar panels installed on top of several school buildings and the construction of a large solar array atop a capped landfill that went online in fiscal 2018. Savings on energy including selling back electricity to the grid is expected to offset debt service. Solar renewable energy certificates were sold under contract that brought in \$1.8 million to the general fund. Net metering credits from the electricity generated from solar panels that offset electricity charges totaled \$1.4 million.

To manage the elevated long term liabilities related to benefits including pensions and retiree health insurance the City has made its annual required contribution for the pension and annual debt service for the pension obligation bonds while continuing to fund OPEB above the pay-as-you-go annual expenditure. The City's share of the net pension liability was \$557 million and is being amortized over the next fifteen years with annual contributions increasing 6.33%. Outstanding pension obligation bonds issued in 1998 had a balance outstanding on June 30, 2019 of \$112 million with full amortization over the next nine fiscal years. The actuarially accrued liability for OPEB totaled \$919 million which was based on an actuarial valuation date of June 30, 2018 and rolled forward to a measurement date of June 30, 2019. In 2017, the City passed an ordinance to create an expendable trust fund for OPEB and to establish a board of trustees to manage the trust's investments. During fiscal 2019, a nine member OPEB board of trustees adopted a declaration of trust which became effective in fiscal 2020. Additionally, the City expanded the current policy of funding OPEB above pay-as-you-go with 30% free cash to also include increasing annual appropriations included in the operating budget. As of the end of the year there was a restricted account in the general fund for OPEB totaling \$17.4 million.

## **Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its comprehensive annual financial report for the year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Robert V. Stearns, CPA  
City Auditor

**CITY OF WORCESTER, MASSACHUSETTS**

LIST OF ELECTED AND APPOINTED OFFICIALS  
COUNCIL – MANAGER FORM OF GOVERNMENT

June 30, 2019

**ELECTED OFFICIALS**

**CITY COUNCIL**

**MAYOR**

Joseph M. Petty

**COUNCILORS-AT-LARGE**

Morris A. Bergman  
Khrystian E. King  
Konstantina B. Lukes  
Gary Rosen  
Kathleen M. Toomey

**DISTRICT COUNCILORS**

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

**SCHOOL COMMITTEE**

**EX-OFFICIO CHAIRPERSON**

Joseph M. Petty

**COMMITTEE MEMBERS**

Dianna L. Biancheria  
Dante A. Comparetto  
John L. Foley

**COMMITTEE MEMBERS**

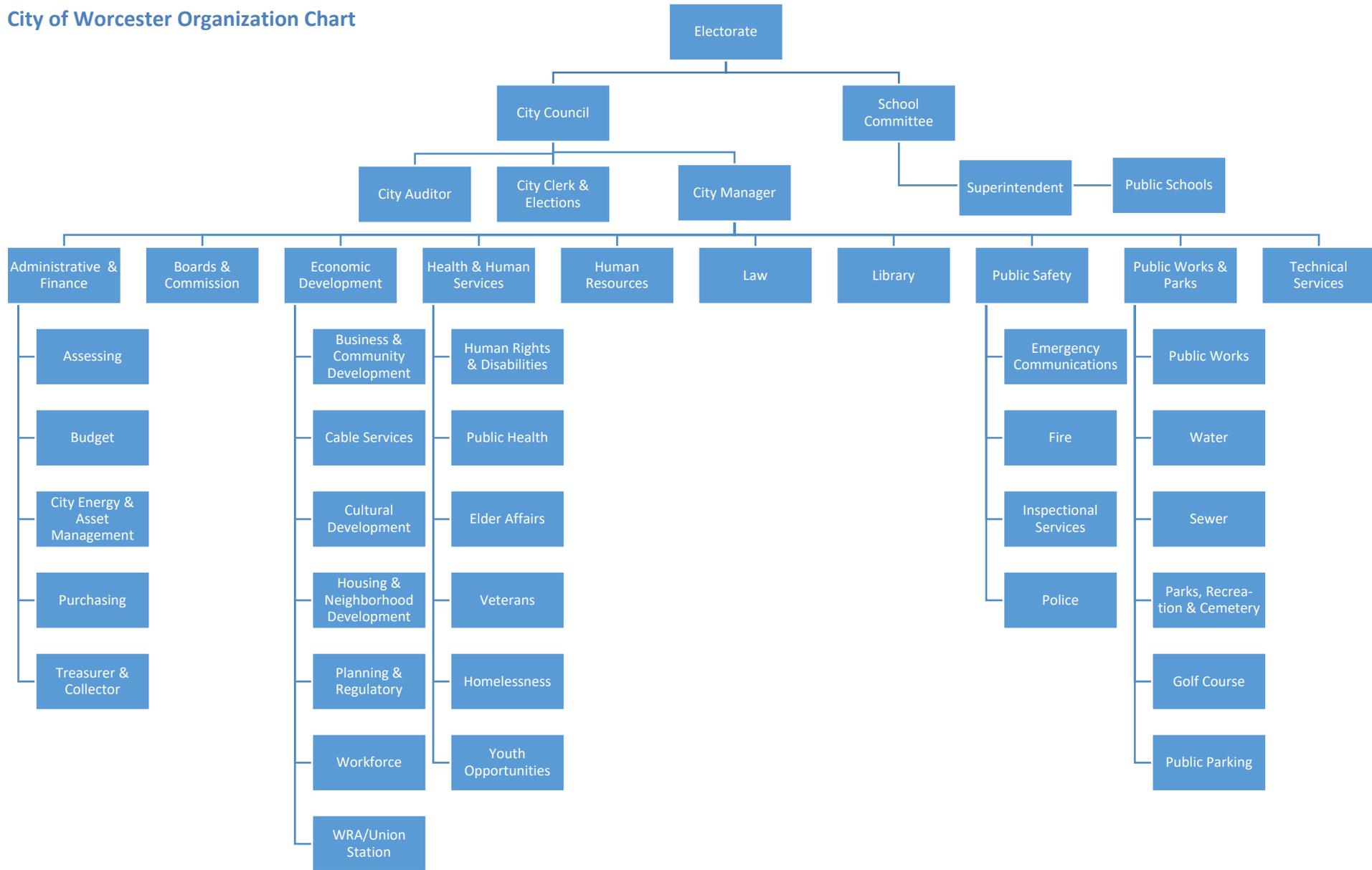
Molly O. McCullough  
John F. Monfredo  
Brian A. O'Connell

**APPOINTED OFFICIALS**

CITY MANAGER*	Edward M. Augustus, Jr.
ASSISTANT CITY MANAGER	Kathleen G. Johnson
HEALTH & HUMAN SERVICES COMMISSIONER	Dr. Matilde Castiel, MD
FIRE CHIEF	Michael J. Lavoie
INSPECTIONAL SERVICES COMMISSIONER	John R. Kelly
CITY SOLICITOR	David M. Moore
PUBLIC WORKS & PARKS COMMISSIONER	Paul J. Moosey
CHIEF OF POLICE	Steven M. Sargent
EMERGENCY COMMUNICATIONS ACTING DIR.	Michael E. Shanley
CHIEF DEVELOPMENT OFFICER	Michael E. Traynor
CHIEF FINANCIAL OFFICER	Thomas F. Zidelis
SUPERINTENDENT OF SCHOOLS	Maureen F. Binienda
CHIEF FIN. & OPERATIONS OFFICER W.P.S.	Brian E. Allen
BUDGET DIRECTOR, W.P.S.	Sara Consalvo
INTERIM DIRECTOR OF PUBLIC LIBRARY	Sulma Rubert-Silva
EXECUTIVE DIRECTOR, RETIREMENT	Elizabeth A. Early
CITY CLERK*	Susan M. Ledoux
CITY AUDITOR*	Robert V. Stearns
DIRECTOR OF ACCOUNTS	Kimberly J. Laino
DIRECTOR OF TECHNICAL SERVICES	Eileen M. Cazaropoul
TREASURER & COLLECTOR	Sandra J. Flynn
ASSISTANT TREASURER	Geralyn M. Walsh
BUDGET DIRECTOR / ASST. TREASURER	Erin M. Arvizu
CITY ASSESSOR	William J. Ford
PURCHASING AGENT	Christopher J. Gagliastro
DIRECTOR OF ENERGY & ASSET MGMT.	John W. Odell

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

# City of Worcester Organization Chart





Government Finance Officers Association

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

Presented to

**City of Worcester  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

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# **FINANCIAL SECTION**



## **Independent Auditors' Report**

The Honorable Mayor and City Council  
City of Worcester, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2019 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2018), 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 81.5%, 58.7% and 99.2%, 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, 2019 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 14 through 32) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 123 through 142) 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 6, 2019 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, Massachusetts  
December 6, 2019

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2019

(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, 2019 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

### Financial Highlights

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

- The liabilities and deferred inflows of the City (primary government) exceeded its assets and deferred outflows (net position) at the close of fiscal 2019 by \$718,750.
- The City's total net position decreased by \$44,694 or 6.6% during the year.
- The change in the City's net pension liability \$557,476 less deferred outflows/inflows related to pensions \$103,205 resulted in a decrease in net position of \$40,532 during the year.
- The change in the City's total OPEB liability \$918,642 less deferred outflows/inflows related to OPEB \$66,453 resulted in a decrease in net position of \$54,933 during the year.
- The City's total capital assets (net) increased by \$63,223 or 5.8% during fiscal 2019.
- The City's total long and short-term debt including bonds, notes, capital leases, bond anticipation notes (BANS) and unamortized bond premiums totaled \$800,780, an increase of \$41,744 or 5.5% during fiscal 2019. Long term debt increased \$35,578; BANS increased \$5,916; and unamortized premiums increased \$250.

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

- The City's general fund balance increased \$8,016 or 14.0% during the year to \$65,401. The unassigned general fund balance increased \$5,595 to \$47,971 and the fund restricted for OPEB increased \$2,421 to \$17,430.
- At the end of fiscal 2019, the unassigned portion of the general fund was \$47,971 or 7.2% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2019 was \$5,906. This amount is unassigned in the general fund and available for appropriation in fiscal 2020.

### 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.

# CITY OF WORCESTER, MASSACHUSETTS

## Management’s Discussion and Analysis

June 30, 2019

(In thousands of dollars)

**Government-wide financial statements** – The government-wide financial statements report information about the City with a broad overview of its finances using accounting methods 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 2019. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

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

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

The government-wide financial statements can be found on pages 33 through 35 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 and the debt service fund both of which is considered major funds and can be found on pages 36 and 38. Data from the 29 other governmental funds are combined into a single aggregated presentation titled "other governmental funds" and the list of these nonmajor governmental funds is provided on pages 143 through 145 and the combining balance sheet and statement of revenue and expenditures are provided on pages 146 through 157.

The City adopts an annual budget for its general fund which is included in the required supplementary information shown on pages 123 through 130. The City also adopts annual budgets for each of its enterprise funds shown in the supplementary schedules on pages 158 through 160.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

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

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

The proprietary fund financial statements can be found on pages 40 through 42.

**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 43 through 44.

**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 45 through 121.

**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 123 through 142.

**Other information** – This report also presents other information that is presented for purposes of additional analysis and is not a required part of the financial statements, which includes the introductory section (pages 1 through 9), supplementary statements and schedules (pages 143 through 165) and statistical section (pages 167 through 195). A glossary begins on page 197.

### Government-Wide Financial Analysis

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

**CITY OF WORCESTER, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

case, liabilities and deferred inflows exceeded assets and deferred outflows by \$718,750 at the close of the most recent fiscal year and are summarized as follows:

**Statements of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 317,167	292,048	50,502	47,393	367,669	339,441
Capital assets	902,075	853,108	258,773	244,517	1,160,848	1,097,625
Total assets	<u>1,219,242</u>	<u>1,145,156</u>	<u>309,275</u>	<u>291,910</u>	<u>1,528,517</u>	<u>1,437,066</u>
Deferred outflows of resources	<u>172,839</u>	<u>84,366</u>	<u>8,149</u>	<u>5,010</u>	<u>180,988</u>	<u>89,376</u>
Long-term liabilities	2,032,972	1,816,014	216,083	196,692	2,249,055	2,012,706
Other liabilities	134,644	128,182	33,226	30,831	167,870	159,013
Total liabilities	<u>2,167,616</u>	<u>1,944,196</u>	<u>249,309</u>	<u>227,523</u>	<u>2,416,925</u>	<u>2,171,719</u>
Deferred inflows of resources	<u>9,607</u>	<u>25,861</u>	<u>1,723</u>	<u>2,918</u>	<u>11,330</u>	<u>28,779</u>
Net position:						
Net investment in capital assets	469,471	441,004	85,721	86,281	555,192	527,285
Restricted	70,836	65,793	-	-	70,836	65,793
Unrestricted	<u>(1,325,449)</u>	<u>(1,247,332)</u>	<u>(19,329)</u>	<u>(19,802)</u>	<u>(1,344,778)</u>	<u>(1,267,134)</u>
Total net position	<u>\$ (785,142)</u>	<u>(740,535)</u>	<u>66,392</u>	<u>66,479</u>	<u>(718,750)</u>	<u>(674,056)</u>

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

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net position shows a deficit balance of (\$1,344,778). However, this balance includes outstanding pension obligation bonds of \$111,950 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 \$2,022 and \$647, respectively, at year-end. Additionally, the City has a note payable of \$1,718 for improvement to neighborhood assets it does not own and also owes \$463 for the 2008 Blackstone Valley Visitors Center, which was destroyed by fire. Also on this list is \$34 debt for the airport, which is no longer owned by the City. Absent the aforementioned debt, there is a balance of (\$1,227,944) of unrestricted net position.

At the end of fiscal 2019, the City is able to report positive balances in water and sewer net positions for business-type activities and all but unrestricted net position in the governmental activities.

The long-term liabilities increased \$236,349 or 11.7% with the largest increases in total OPEB liability and net pension liability. Long-term bonds and unamortized premiums, notes payable and capital leases increased

**CITY OF WORCESTER, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

\$35,828 or 5.2%, the net pension liability increased \$88,593 or 18.9% and the total OPEB liability increased \$115,932 or 14.4%.

Governmental activities had a net increase in other liabilities of \$6,462 or 5.0% as temporary notes payable increased \$3,466 and accounts payable and retainage payable increased \$2,339. Business-type activities had an increase in other liabilities of \$2,395 or 7.8% due to the increase in temporary notes payable by \$2,500.

Governmental activities capital assets net of depreciation increased by \$48,967 or 5.7% during fiscal 2019; additions to fixed assets totaled \$103,473 and depreciation totaled \$54,506. The largest acquisitions of capital assets during fiscal 2019 included construction-in-progress of the new South High School \$29,304, other school construction \$10,490, street and sidewalks \$18,184, construction-in-progress of a new minor league baseball park \$15,170, parking garage renovations \$10,146, parks improvements \$5,771, two fire ladder engines and two fire pumper trucks \$3,034, school technology capital leases \$2,892, twenty-three new school busses under capital leases \$2,166.

The City's total net position decreased by \$44,694 or 6.6%, summarized as follows:

**Statements of Activities**

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 43,912	35,955	77,304	73,905	121,216	109,860
Operating grants and contributions	409,107	393,634	-	-	409,107	393,634
Capital grants and contributions	34,627	24,198	6,012	3,814	40,639	28,012
General revenues:						
Property taxes	297,653	288,275	-	-	297,653	288,275
Motor vehicle excise taxes	16,551	15,702	-	-	16,551	15,702
Intergovernmental	43,796	42,286	-	-	43,796	42,286
Other	22,947	20,813	-	-	22,947	20,813
Total revenues	<u>868,593</u>	<u>820,863</u>	<u>83,316</u>	<u>77,719</u>	<u>951,909</u>	<u>898,582</u>
Expenses:						
General government	33,886	47,038	-	-	33,886	47,038
Public safety	190,526	171,039	-	-	190,526	171,039
Health and human services	15,177	14,270	-	-	15,177	14,270
Education	555,917	527,848	-	-	555,917	527,848
Public works	57,070	56,693	-	-	57,070	56,693
Culture and recreation	31,662	28,858	-	-	31,662	28,858
Community development	8,952	5,975	-	-	8,952	5,975
Interest on debt	21,660	21,672	-	-	21,660	21,672
Water	-	-	29,511	28,063	29,511	28,063
Sewer	-	-	51,185	47,932	51,185	47,932
Golf course	-	-	1,564	1,392	1,564	1,392
Total expenses	<u>914,850</u>	<u>873,393</u>	<u>82,260</u>	<u>77,387</u>	<u>997,110</u>	<u>950,780</u>
Change in net position before transfers and contributions	(46,257)	(52,530)	1,056	332	(45,201)	(52,198)
Transfers	1,143	646	(1,143)	(646)	-	-
Contributions	507	225	-	-	507	225
Change in net position	(44,607)	(51,659)	(87)	(314)	(44,694)	(51,973)
Net position – beginning	(740,535)	(688,876)	66,479	66,793	(674,056)	(622,083)
Net position – ending	<u>\$ (785,142)</u>	<u>(740,535)</u>	<u>66,392</u>	<u>66,479</u>	<u>(718,750)</u>	<u>(674,056)</u>

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

**Governmental activities** – Governmental activities as shown in the statement of activities decreased the City's net position by \$44,607 for the year ended June 30, 2019 compared to decrease of \$51,659 for the prior year. The decrease in net position in governmental activities is explained by the following.

Total governmental activities program and general revenues were \$868,593 which was a \$47,730 or 5.8% increase over the previous fiscal year.

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

Charges for services totaled \$43,912 and represented 5% of total governmental activity revenues and experienced an increase from the year before of \$7,957 or 22%. The largest source is from public safety revenues which totaled \$21,372 or 49% of charges for services and increased \$2,564 or 14% from the year before and included police and fire auxiliary, inspectional service, emergency medical and other public safety fees and fines. Public works totaled \$10,401 or 24% of charges from services and increased \$776 or 8%. General government totaled \$6,554 and increased \$3,889 or 146% over the prior year primarily due to cable franchise fees \$2,785 reported as charges for services in the current fiscal year compared to being reported as operating grant revenue in the prior year.

Operating grants and contributions revenue totaled \$409,107 representing 47% of total governmental activity revenues and increased \$15,473 or 4% over the prior year. The largest portion of operating grants is for educational purposes \$384,035 which increased \$18,476 or 5% over the prior year. State aid for schools under Chapter 70 totaled \$253,212 an increase of \$8,005 or 3%, state and federal grants including aid for nutrition and supplementary educational programs totaled \$67,302, an increase of \$9,841 with the largest increases in title I, state circuit breaker for special education, and state aid for Puerto Rico hurricane relief. The state on-behalf of payments for teachers' net pension expense totaled \$63,521 an increase of 1%. Other operating grants for general government, community development, recreation, public safety, public works and health and human services totaled \$25,071 a decrease of \$2,986 from the prior year. General government operating grants decreased \$2,619 due mainly to the change in reporting cable franchise fees to charges for services. Public safety grants decreased \$1,573 mainly due to a reduction in federal awards including an award for staffing and training fire and emergency responders. Community development block grants increased \$674 or 18% and other community development and health grants increased \$915 or 8%.

Capital grants totaled \$34,627 and represented 4% of total governmental activity revenues increasing \$10,429 or 43% from the prior year. Educational capital grants for school building repair and replacement receipts totaled \$28,324, an increase of \$13,029 from the prior year due to timing of the completion of projects and reimbursement of the grants. Construction for the replacement South High School continued during the year with grants totaling \$21,010. Several other school buildings had energy upgrades and renovations during the year. Public works received capital grants of \$6,291 for street resurfacing, parks and other projects, a decrease of \$2,630 from the prior year, due to the timing of state funded projects.

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

Property tax revenue totaled \$297,653 and represented 34% of total governmental activity revenues and increased \$9,378 or 3%. Most of the increase was due to additional commitments for tax increases and new growth. The gross tax levy increased \$3,313 or 1% over prior year commitments and taxes on new growth totaled \$6,205 or 2% of the prior year gross tax levy.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

Other general revenues totaled \$83,294 and represented 9.6% of total governmental activity revenues. This revenue increased \$4,493 or 6% over the prior year. Most revenues remained level to the prior year. Motor vehicle excise taxes \$16,551 increased \$849; intergovernmental revenue including non-educational state aid totaled \$43,796, an increase of \$1,510; and other general revenue totaled \$22,947 an increase of \$2,134. The other general revenue includes investment income \$5,331 which increased \$3,112 or 140% from the prior year due to higher interest earnings on deposits at banks and higher investment returns generated by trust assets. This was offset by a decrease in revenue from energy sales and rebates which totaled \$3,311 and decreased \$2,001 from the prior year. Additionally, there was an intergovernmental receipt for prior year snow removal \$567.

#### **Governmental Activities Expenses**

Expenses of governmental activities totaled \$914,850, an increase over the prior year by \$41,457 or 5%. General government other expenses decreased \$13,152, public safety increased \$19,487, health and human services expenses increased \$907, education expenses increased \$28,069, public works expenses increased \$377, culture and recreation expenses increased \$2,804, community development expenses increased \$2,977, and interest expense decreased \$12.

General government includes the activities of sixteen departments. General government expenses totaled \$33,886 representing 4% of total governmental activities and decreased \$13,152 or 28%. Legal settlements recognized on an accrual basis decreased \$13,016 over the prior year attributable to a prior year settlement of \$12,500 with a hotel over a contract dispute that required the City to build a sky bridge.

Public safety expenses including police, fire, inspection, and emergency communications totaled \$190,526 and represented 21% of the total governmental activities increasing \$19,487 or 11% over the prior year attributable to increases in salary and fringe benefits. Pension expense totaled \$39,851, an increase of \$10,290 and net adjustments for accrued OPEB totaled \$14,341, an increase of \$4,370.

Health and human services expenses totaled \$15,177 or 2% of total governmental activities increasing \$907 or 6% over the prior year. Pension and OPEB expenses increased \$389.

Education expenses include basic education for grades K - 12 as well as pre-K, nutrition and grant supplemental expenses. Education expenses totaled \$555,917 and represented 61% of total governmental activity expenses, increasing \$28,069 over the prior year. Pension expense including the City's pension system and on-behalf of payments for the state teachers' retirement system totaled \$88,463, an increase of \$6,359 over the prior year. Accrued OPEB adjustments totaled \$35,791, an increase of \$10,880. Other education expenses increased \$10,830 which correlated with the increase in educational funding.

Public works expenses totaled \$57,070 representing 6% of total governmental activities increasing \$377 or 1% over the prior year. Pension expense totaled \$3,103 increasing \$516. Accrued OPEB adjustments totaled \$1,238, an increase of \$470.

Culture and recreation expenses totaled \$31,662 or 3% of total governmental activities increasing \$2,804 over the prior year. Pension expense totaled \$3,672 increasing \$750. Accrued OPEB adjustments totaled \$1,008, an increase of \$407. Depreciation increased \$669.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2019

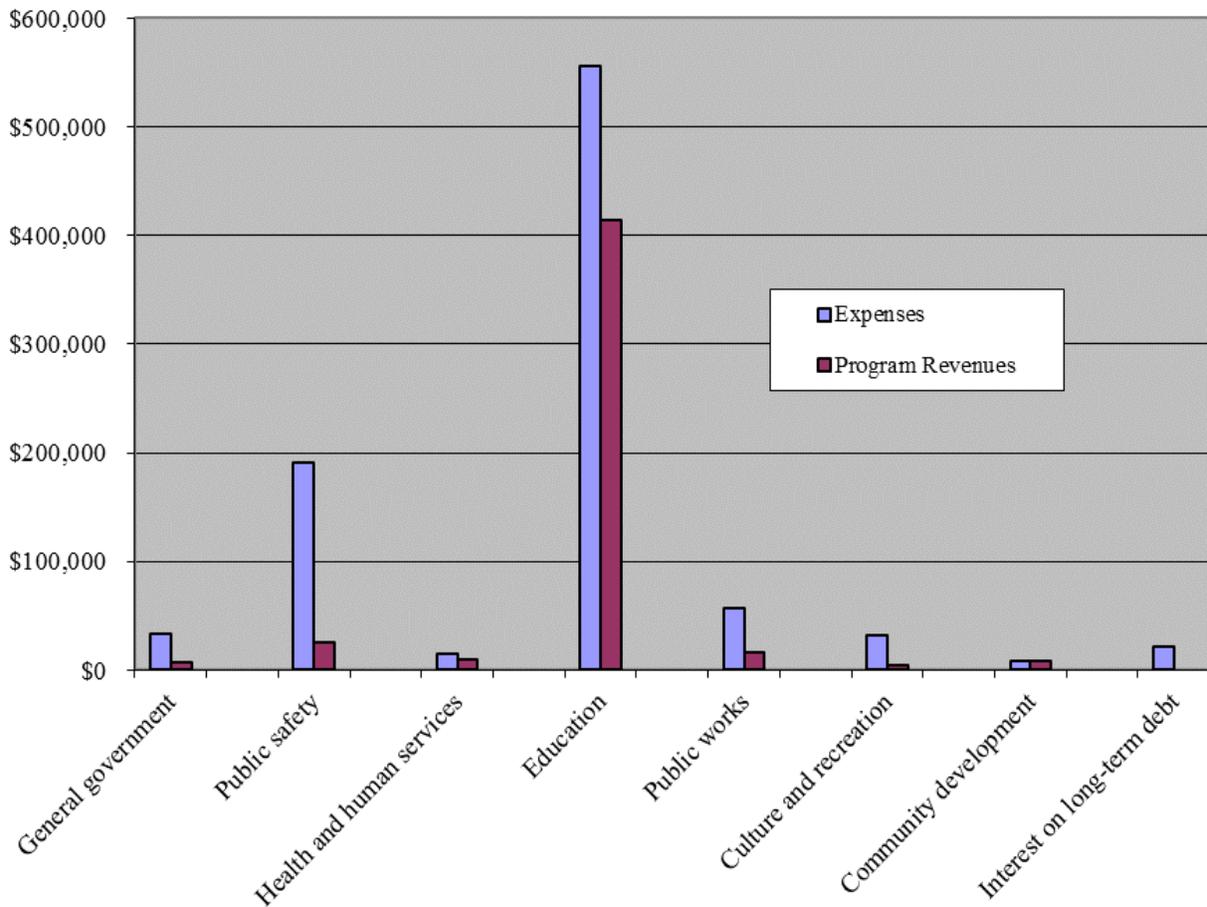
(In thousands of dollars)

Community development expenses totaled \$8,952 or 1% of governmental activities and increased \$2,977 or 50% due to increases in grant activities.

Interest on debt totaled \$21,660 or 2.4% of total governmental activities expenses and decreased \$12 over the prior year.

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

**FY 2019 Expenses and Program Revenues– Governmental Activities**



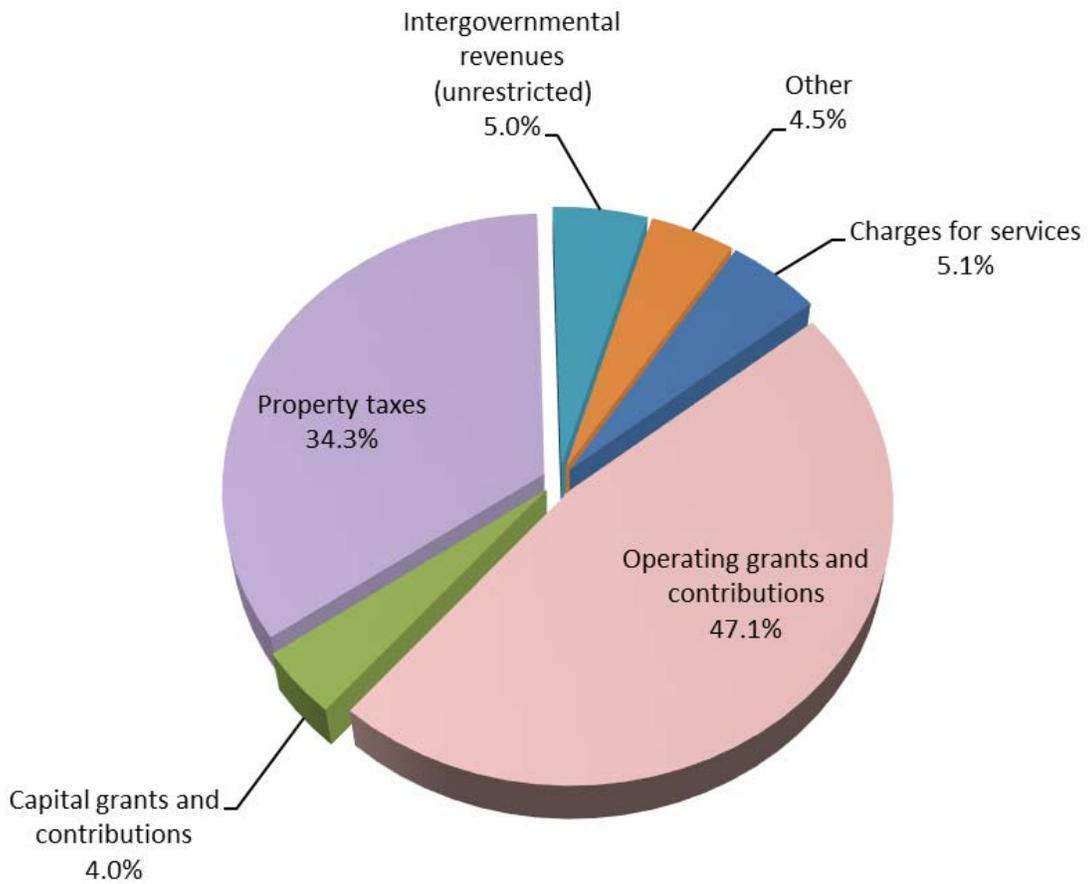
**CITY OF WORCESTER, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2019

(In thousands of dollars)

**FY 2019 Revenues by Source – Governmental Activities**



# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

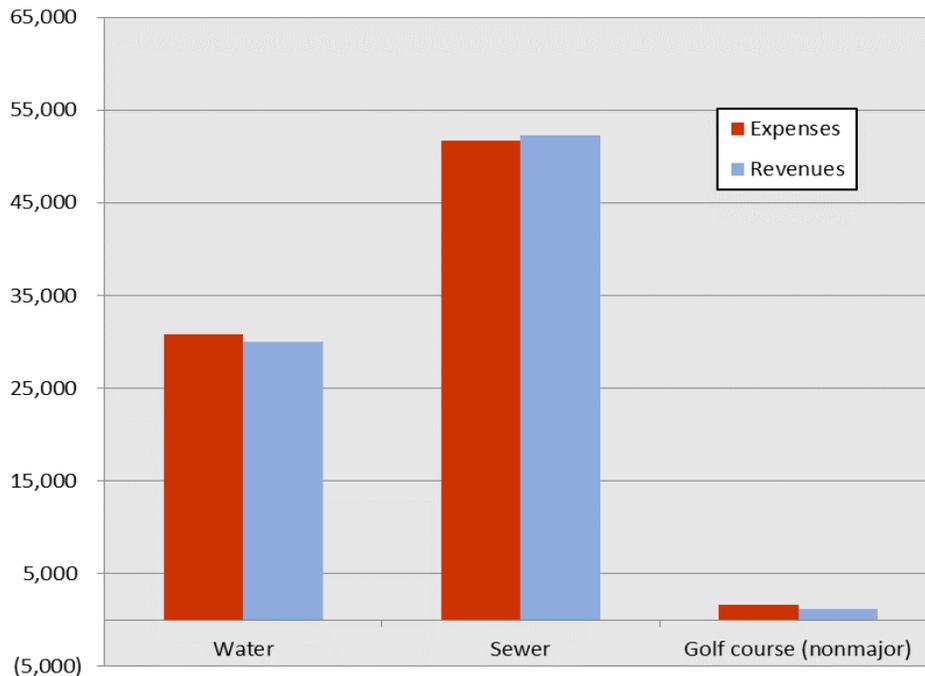
June 30, 2019

(In thousands of dollars)

**Business-type activities** – Business-type activities decreased the City's net position by \$87.

- The water fund had operating income of \$2,679 and had a decrease in net position of \$806. This follows the previous year's operating income of \$3,837 with a \$1,348 increase in net position. Water rates did not change over the prior year and usage fees increased \$57 or 0.2%. Salaries and fringes increased \$1,244 or 11%. Ordinary maintenance expenses decreased \$325 or 8%. The net investment in capital assets decreased \$2,821.
- The sewer fund had an operating loss of \$1,185 and had an increase in net position of \$791. This follows the previous year's operating loss of \$605 with a \$1,675 decrease in net position. Sewer rates increased \$0.35 per 100 cubic feet or 4.9% over the prior year and usage fees increased \$3,076 or 7%. Salaries and fringes increased \$658 or 10%. Ordinary maintenance increased \$1,526 or 6%. Capital grants for sewer projects from the state totaled \$5,967 an increase of \$2,333 over the prior year. The net investment in capital assets increased \$2,182.
- The golf course fund (nonmajor) had an operating loss of \$341 and net position decreased by \$72. This follows the previous year's operating loss of \$209 and an increase in net position of \$13. Revenues increased \$9 from the previous year while salaries and fringe increased \$36 and ordinary maintenance increased \$54. The net investment in capital assets increased \$79. The General Fund subsidized the golf enterprise with transfers of \$377 in fiscal 2019, compared to \$300 in the prior year.

**FY 2019 Expenses and Program Revenues – Business-type Activities**



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(In thousands of dollars)

### Financial Analysis of the City's Funds

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

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

At the end of fiscal 2019, the City's governmental funds reported combined ending fund balances of \$146,529 an increase of \$25,292 or 21% from fiscal 2018. Fund balance includes \$16,022 of non-spendable amounts contained in nonexpendable permanent funds and \$47,971 of unassigned general fund balance available for spending at the City's discretion. Deficits of \$36,013 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 \$72,748 restricted for specific purposes or by federal or state grants, \$20,980 of funds committed for debt service and \$24,821 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 2019, unassigned fund balance of the general fund was \$47,971 or 7% of total general fund revenues and a restricted fund balance of \$17,430 to fund OPEB. During fiscal 2019, the City's general fund balance increased by \$8,016 or 14%. Total revenues exceeded expenditures by \$15,139, while transfers out exceeded transfers in by \$12,182. Equipment in educational expenditures was financed through capital leases totaling \$5,059.

The debt service fund had a fund balance of \$20,980 at the end of fiscal 2019, a \$222 or 1% increase from the previous year. During the year \$2,381 in local meals and hotel tax revenue was received attributable to the DCU special district. There were \$14,294 net transfers in from the general fund. Debt service expenditures were \$16,453. Debt service paid included capital campaign fund \$8,232 which includes debt for construction on the vocational high school, library, and other school improvements; the CitySquare project \$4,207, which is self-funded debt from district improvement financing revenue; North High School debt \$1,311; DCU special district debt \$2,564 currently self-funded debt from special district financing revenue; and other debt \$139 paid from designated debt service funds. The DCU special district received local excise taxes for hotels and meals totaling \$2,381 for fiscal year 2019, a decrease of 5% or \$136 from the prior year. A fund established in fiscal 2018 in accordance with the financial plan to prefund a debt service account for future bonds associated with the planned construction of two new high schools increased \$3,025 for a total fund balance of \$5,775 at June 30, 2019. The other fund balances at June 30, 2019 included; North High \$9,819; DCU \$2,658, CitySquare \$1,047, and other \$1,681.

Other governmental funds had a fund balance of \$60,148 at the end of fiscal 2019, a \$17,054 increase from the previous year. Special revenue funds increased by \$2,668 as revenues of \$110,997 and premiums on issuance of bonds of \$394 exceeded expenditures of \$105,095 and net transfers out of \$3,628. The capital projects funds increased \$13,224 as revenues of \$35,059, bond proceeds and related premiums of \$73,511 and net transfers in from other funds of \$2,718 exceeded expenditures of \$98,064. Permanent funds increased \$1,162 as donations of \$507 and net investment income of \$853 exceeded expenditures of \$139 and net transfers out to other funds of \$59.

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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 2019 totaled \$66,392. There was an \$87 decrease in net position from current year operations. The water fund had a decrease in net position of \$806 while the sewer fund had an increase of \$791 and the golf course fund (nonmajor) had a decrease of \$72. Unrestricted net position consisted of (\$12,925) in the water fund, (\$5,434) in the sewer fund and (\$970) in the golf course fund (nonmajor). Net investment in capital assets consisted of \$51,804 in the water fund, \$33,674 in the sewer fund and \$243 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 \$3,386 higher than the original estimated revenues. The estimate for property taxes was increased \$191 due to a reduction in the reserve for exemptions and abatements and was offset by adjustments to intergovernmental receipts and charges. Intergovernmental receipts decreased \$228 mostly for a reduction to reimbursable veterans' claims. State aid for public education increased \$3,423 or 1% in the final budget over the original budget.

The final budget for transfers-in increased by \$639 over original budget estimates. There were transfers from various special revenue fund accounts; \$569 from premium on loans to cover debt issuance costs; \$21 for vehicle insurance settlements; and \$1 from wetland funds for economic development. There was also a \$48 transfer from a budgetary basis non-irrevocable trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$4,555 higher than the original budget. The largest increases were a result of additional funding sources including state aid, premiums on bond and BAN sales, and appropriation of fiscal 2018 free cash. The education budget including related fringe benefits increased \$3,418 that was supported by the aforementioned increase in state aid for public education. The final budgeted amount for the Treasury department's ordinary maintenance budget increased \$569 for the aforementioned transfer from special revenue to cover debt issuance costs. Operating expenses increased \$860 for the appropriation of fiscal 2018 free cash much of which was appropriated for equipment by public works, technical services and the fire department. Several transfers were made between department budgets including the contingency \$1,300 which was used for settled collective bargaining unit contracts and various underspent departmental budget lines at the end of the year. Police salaries and overtime increased \$2,208 as the collective bargaining unit was settled with a 2% pay increase for fiscal 2018 retroactive from October 2017 and a 2% pay increase for Fiscal 2019. Communications, inspectional services and fire had decreases to the originally budgeted salaries totaling \$1,426. The original budget for snow removal was underspent by \$1,429 and transferred to other departments most of which paid for capital outlays for new rolling equipment for DPW, Fire and Parks.

The final budget for transfers-out increased from the original budget by \$1,619. Subsequent transfers included \$1,289 in additional transfers to the OPEB account; \$143 to the special revenue fund for a HUD grant; \$9 to the airport debt service account and \$178 to provide additional subsidies to the golf enterprise.

The general fund had a net increase in the budgetary basis fund balance by \$5,493 during the year and was better than the budgeted deficit of \$2,149 by \$7,642. By comparison, the net changes in the previous three fiscal years were \$152, \$6,933, and \$7,435. The budgeted deficit of \$2,149 included free cash appropriations from

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unassigned general fund totaling \$4,298 offset by an intrafund transfer to the bond rating stabilization fund, a reserve account of the general fund, of \$2,149. The year-end unassigned fund balance on a budgetary basis totaled \$46,527. Revenues did better than estimates in the final budget by \$5,718. Actual expenses were less than appropriations by \$2,258. Offsetting these amounts were intergovernmental charges that were higher than estimates by \$334.

Revenue accounts with the largest positive variances included interest income on cash held in depositories \$2,371, miscellaneous revenue \$1,592, motor vehicle excise \$976, local option for meals and hotel excise \$992, marijuana host agreements \$680, and state local aid \$534.

Expenditures with the largest unspent appropriation from the final budget included general government \$559 or 3% of its budget, public safety \$544 or 1% of its budget, health and human services \$495 or 11% of its budget, public works \$338 or 2% of its budget.

#### Capital Assets and Debt Administration

**Capital assets** – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totaled \$1,160,848. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress, net of depreciation. The net increase in the City's investment in capital assets for the current year was \$63,223 or 6%. Governmental activities increased by \$48,967 or 6% and business-type activities increased by \$14,256 or 6%. Governmental activities fixed asset acquisitions totaled \$103,473 and depreciation for the year totaled \$54,506.

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

- Streets and sidewalks were improved with capitalized costs added to infrastructure totaling \$18,184 including resurfacing projects \$10,539; and other street and sidewalk projects \$7,645.
- Worcester's minor league baseball park development began mid-year with incurred costs including land acquisition, finance related and design \$15,170.
- Rehab on city parking garages continued in fiscal 2019 totaling \$10,146.
- Capitalized costs for park improvements for playgrounds, basketball courts, security cameras and other improvements and the relocation and improvement of a historical building totaled \$5,771. Expenditures were paid from long-term debt and grant awards.
- Total capitalized costs for school construction was \$39,794. The Massachusetts School Building Authority (MSBA) the state agency that supports the construction of public school facilities approved the replacement of South High School with a budget of \$209,971. Expenditures for construction in progress that were incurred in fiscal 2019 totaled \$29,304; reimbursements from the MSBA totaled \$21,010. Costs related to the replacement of Doherty High school including a feasibility study totaled \$172. A turf replacement project at Foley Stadium incurred capital costs of \$856. Other school construction capitalized during the year totaled \$9,462 and included window and door replacement, energy improvements, at Lincoln Street \$2,762, Thorndyke \$2,665, Elm Park Elementary \$2,488, and other schools \$1,547. Much of the projects were funded through the state's MSBA program for new

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school construction and the accelerated repair program. Revenues for the other school projects received during the year totaled \$7,314.

- Capitalized costs for improvements to the DCU Center totaled \$891 which included a boiler upgrade \$820 and continued work on Wi-Fi upgrades \$71.
- Included in capitalized costs for rehabilitation of other public buildings were continued energy improvements for new LED light conversion \$982 and elevator upgrades at City Hall \$172.
- Capitalized costs for rolling equipment totaled \$6,850 including the school department that acquired 13 large busses under a capital lease \$1,372 and 10 mid-sized busses under a capital lease \$794; two ladder trucks for the fire department funded by grants \$1,898, two pumper trucks for the fire department \$1,136, five various heavy load vehicles for DPW \$814, a logging truck for forestry division of parks \$229, and 10 trucks \$607 for various departments including DPW, fire and the school department.
- The school department acquired computers and other technology under capital leases totaling \$2,892.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$33,393. Of this amount, \$23,333 was for sewer projects including the route 20 sewer improvement project \$15,158 of which the city received state funding towards the project in fiscal 2019 of \$5,967. Water infrastructure totaled \$5,859 including water mains, reservoir rehabs, and pumping. Watershed land was acquired totaling \$651. Capitalized equipment and vehicles for sewer and water totaled \$2,976. Continued improvements to the golf course and development of the new driving range that was put into service at the end of the fiscal year totaled \$574 with a cumulative cost of \$2,121.

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

	<b>Capital assets</b>					
	<b>(net of accumulated depreciation)</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$ 23,077	23,077	7,949	7,298	31,026	30,375
Buildings	454,827	468,577	20,762	22,192	475,589	490,769
Improvements, other than buildings	175,512	179,764	-	-	175,512	179,764
Equipment and other	15,743	14,893	2,886	1,009	18,629	15,902
Rolling equipment	10,916	6,273	3,466	3,689	14,382	9,962
Infrastructure	159,460	153,251	223,710	208,782	383,170	362,033
Construction in progress	62,540	7,273	-	1,547	62,540	8,820
Total	<u>\$ 902,075</u>	<u>853,108</u>	<u>258,773</u>	<u>244,517</u>	<u>1,160,848</u>	<u>1,097,625</u>

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

**Long-term debt** – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$702,225, an increase of \$35,578 or 5% from the prior fiscal year. General obligation bonds totaling \$683,933 comprises debt backed by the full faith and credit of the City.

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(In thousands of dollars)

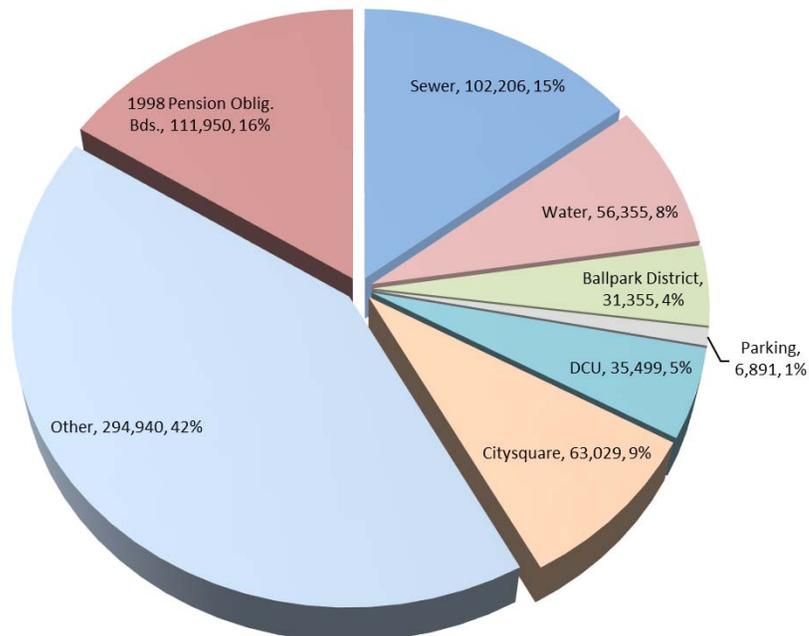
	<b>Long-term debt</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General obligation bonds	\$ 527,871	505,527	156,062	145,434	683,933	650,961
Notes payable	1,718	1,802	4,763	5,038	6,481	6,840
Capital lease payable	11,811	8,846	-	-	11,811	8,846
Total	\$ 541,400	516,175	160,825	150,472	702,225	666,647

On November 21, 2018 and January 30, 2019 the City issued \$31,355 and \$60,905, respectively for current projects. The proceeds consisted of \$70,718 for governmental activities and \$21,542 for business-type activities.

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

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

**Long-Term Debt**



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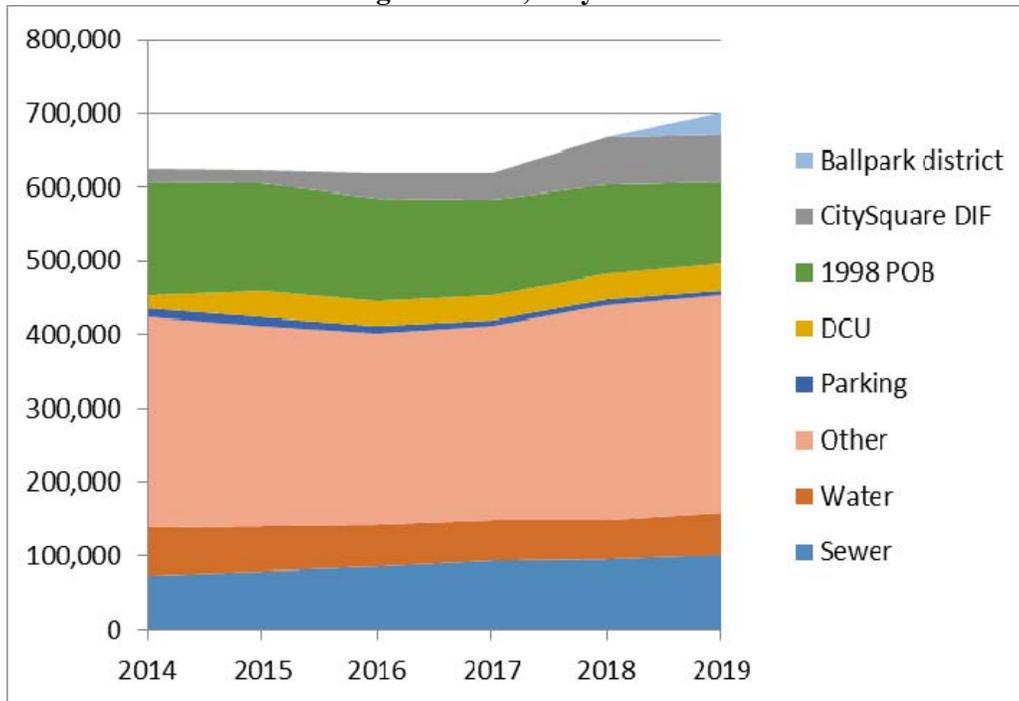
(In thousands of dollars)

A portion of the long-term debt is supported by fees from water and sewer usage, public parking garages, and DCU Center operating revenue. Debt related to district improvement financing (DIF) capital projects for CitySquare and the DCU Center are supported from new revenue sources generated within or for the designated geographic areas. In the CitySquare DIF tax incremental financing (TIF) on private redevelopment and parking revenue from a new public parking garage finance the related debt service. Excise tax revenue from hotel occupancy and meals from nearby hotels support the related debt service of the DCU Center DIF.

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

Other outstanding long-term debt totaled \$294,940 and is paid primarily from the general fund. This includes outstanding long-term debt related to schools \$86,402, other public buildings \$38,750, energy efficiency and renewable projects \$62,354, streets and sidewalks \$58,324, parks \$28,730, equipment \$6,739, golf course \$2,265, medical center \$2,023, and other \$9,353. Future general fund revenue from the MSBA related to prior school construction debt totaled \$15,135. Debt service reserves related to school debt totaled \$16,354.

**Long-term debt, six-year trend**



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

## CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

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

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the state's Executive Office of Labor and Workforce Development the City's unemployment rate was 4.0% at June 30, 2019, compared with a 4.9% rate that existed a year earlier. This compares with the state unemployment rate of 3.1% at June 30, 2019. According to the U.S. Bureau of Labor Statistics the national unemployment rate was 3.7% at June 30, 2019.

Taxable assessed property values increased 6.0% to \$13,525,815 in fiscal 2019 of which new growth valuations was \$238,435 or 1.9%. Residential real estate totaled \$9,999,308 and increased 7.4% including new growth \$126,712 or 1.4%; commercial and industrial real estate totaled \$2,725,907 and increased 1.6% including new growth \$27,405 or 1%; and personal property totaled \$800,600 a net increase of 4.4% including new growth \$84,318 or 11%.

The fiscal 2020 general fund budget anticipates total revenues of \$685,044 and transfers from other funds of \$2,567 compared with actual results of \$658,264 and \$3,181 respectively in fiscal 2019. It is anticipated that property tax revenue will increase by \$14,726 or 5.0% over the prior year by taxing new growth and increasing the tax levy as allowed under the state's tax limiting law "Proposition 2½". The City also has available an unused tax levy capacity of \$18,017 as of June 30, 2019, 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 \$18,475 over 2019 actual primarily because of an increase in educational aid \$17,444 and a net increase in other local aid of \$1,031. Other revenue categories were budgeted at levels under fiscal 2019 actuals by \$6,421 and other financial sources were budgeted under fiscal 2019 actuals by \$614.

Fiscal 2020 general fund expenditures were originally budgeted at \$671,789 with transfers out totaling \$15,544 compared with actual results of \$638,742 and \$17,210 in the prior year. Fiscal 2020 expenditure budgets increased over the prior year actuals by \$33,047 or 5.2%, including an increase of \$20,909 or 5.6% for education including fringe benefits for the school department, a \$3,655 or 6.6% increase for fringe benefits excluding schools, \$3,066 or 3.1% for public safety, \$2,508 or 11.7% for general government, \$1,446 or 32% for snow removal. Additionally, the contingency account was budgeted \$1,935 at the start of the year for employee payroll and other increases.

The original budget plan was for revenues and transfers in to equal expenditures and transfers out. Since then, appropriations are expected to be made from the \$5,906 of certified "Free Cash". In accordance with the City's financial plan 50% of Free Cash or \$2,953 will go to a "Bond Rating Stabilization" account to preserve unassigned fund balance, \$1,772 to an OPEB reserve account, which is not irrevocable and is accounted for as restricted in the general fund, and \$1,181 for the operating budget.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer and water funds are each budgeted to have revenue equal expenditures and transfers out and the golf course is budgeted to need a \$200 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive total revenues of \$45,754, \$786 more than the prior year actual and water revenue has budgeted total revenues of \$27,241, \$3,375 less than the prior year actual. Sewer rates were increased by 5% from the prior year and water rates remained unchanged. The golf course anticipates revenues of \$1,487, which is \$353 more than the prior year actual.

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(In thousands of dollars)

**Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Net Position  
June 30, 2019

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
<b>Assets:</b>					
Cash and cash equivalents	\$ 158,500,888	19,723,348	178,224,236	999,274	2,902,614
Restricted cash and cash equivalents	68,002,802	12,503,297	80,506,099	748,185	-
Restricted investments	39,104,168	-	39,104,168	-	11,670,643
Receivables (net of allowance for uncollectibles)	17,924,582	17,843,567	35,768,149	578,540	954,778
Intergovernmental receivables	33,634,526	431,008	34,065,534	-	2,081,000
Assets held for City of Worcester - Ballpark	-	-	-	13,460,117	-
Capital assets, not being depreciated	85,616,875	7,948,988	93,565,863	5,084,190	32,186,306
Capital assets, net of accumulated depreciation	816,458,056	250,824,385	1,067,282,441	23,010,708	143,749,668
<b>Total assets</b>	<b>1,219,241,897</b>	<b>309,274,593</b>	<b>1,528,516,490</b>	<b>43,881,014</b>	<b>193,545,009</b>
<b>Deferred outflows of resources:</b>					
Related to pensions	108,067,127	6,467,669	114,534,796	-	1,684,330
Related to OPEB	64,772,212	1,681,131	66,453,343	-	1,870,261
Deferred charge on refunding	-	-	-	-	362,255
<b>Total deferred outflows of resources</b>	<b>172,839,339</b>	<b>8,148,800</b>	<b>180,988,139</b>	<b>-</b>	<b>3,916,846</b>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	57,805,019	4,635,651	62,440,670	1,802,291	2,913,872
Accrued liabilities	16,182,962	2,259,015	18,441,977	3,649,971	2,175,932
Retainage payable	3,712,737	1,541,622	5,254,359	-	-
Other liabilities	8,024,530	-	8,024,530	35,981	-
Temporary notes payable	48,918,419	24,789,581	73,708,000	-	19,208,726
Advances from City of Worcester - Ballpark	-	-	-	733,023	-
Noncurrent liabilities due within one year	67,396,884	12,141,072	79,537,956	10,819,167	8,266,616
<b>Total current liabilities</b>	<b>202,040,551</b>	<b>45,366,941</b>	<b>247,407,492</b>	<b>17,040,433</b>	<b>32,565,146</b>
<b>Noncurrent liabilities:</b>					
Net pension liability	527,091,703	30,383,849	557,475,552	-	8,296,794
Total OPEB liability	900,364,244	18,277,998	918,642,242	-	-
Net OPEB liability	-	-	-	-	2,792,977
Due to City of Worcester - Ballpark assets	-	-	-	13,460,117	-
Other noncurrent liabilities due in more than one year	538,119,525	155,280,242	693,399,767	1,452,969	133,768,088
<b>Total noncurrent liabilities</b>	<b>1,965,575,472</b>	<b>203,942,089</b>	<b>2,169,517,561</b>	<b>14,913,086</b>	<b>144,857,859</b>
<b>Total liabilities</b>	<b>2,167,616,023</b>	<b>249,309,030</b>	<b>2,416,925,053</b>	<b>31,953,519</b>	<b>177,423,005</b>
<b>Deferred inflows of resources:</b>					
Related to pensions	9,607,460	1,722,509	11,329,969	-	680,405
Related to OPEB	-	-	-	-	2,409,343
<b>Total deferred inflows of resources</b>	<b>9,607,460</b>	<b>1,722,509</b>	<b>11,329,969</b>	<b>-</b>	<b>3,089,748</b>
<b>Net position:</b>					
Net investment in capital assets	469,470,483	85,721,347	555,191,830	23,185,727	15,324,474
Restricted for:					
Nonexpendable permanent funds:					
Libraries	7,184,538	-	7,184,538	-	-
Hope Cemetery	4,247,507	-	4,247,507	-	-
Health and human services	2,919,258	-	2,919,258	-	-
Other nonexpendable permanent funds	1,670,317	-	1,670,317	-	-
Expendable permanent funds:					
Libraries	3,559,451	-	3,559,451	-	-
Hope Cemetery	682,805	-	682,805	-	-
Health and human services	705,381	-	705,381	-	-
Other nonexpendable permanent funds	799,579	-	799,579	-	-
OPEB reserve fund	17,430,104	-	17,430,104	-	-
State and federal grants	9,347,056	-	9,347,056	-	-
Culture & recreation grants	1,518,348	-	1,518,348	-	-
General government grants	1,469,547	-	1,469,547	-	-
Health and human services grants	650,829	-	650,829	-	-
Library grants	1,289,538	-	1,289,538	-	-
Public safety grants	6,639,767	-	6,639,767	-	-
Public works grants	3,577,907	-	3,577,907	-	-
Educational grants	7,144,338	-	7,144,338	-	-
Unrestricted (deficit)	(1,325,449,000)	(19,329,493)	(1,344,778,493)	(11,258,232)	1,624,628
<b>Total net position</b>	<b>\$ (785,142,247)</b>	<b>66,391,854</b>	<b>(718,750,393)</b>	<b>11,927,495</b>	<b>16,949,102</b>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2019

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	\$ 33,885,892	6,553,767	482,493	-	(26,849,632)
Public safety	190,526,294	21,372,093	4,523,406	-	(164,630,795)
Health and human services	15,177,085	1,055,962	8,901,625	-	(5,219,498)
Education	555,916,704	2,227,250	384,035,253	28,324,472	(141,329,729)
Public works	57,070,235	10,400,564	169,373	6,290,988	(40,209,310)
Culture and recreation	31,661,963	2,195,809	2,532,634	11,700	(26,921,820)
Community development	8,952,082	106,529	8,462,170	-	(383,383)
Interest on debt	21,659,653	-	-	-	(21,659,653)
Total governmental activities	<u>914,849,908</u>	<u>43,911,974</u>	<u>409,106,954</u>	<u>34,627,160</u>	<u>(427,203,820)</u>
Business-type activities:					
Water	29,510,704	29,927,315	-	45,000	461,611
Sewer	51,185,542	46,242,937	-	5,967,175	1,024,570
Golf course (nonmajor)	1,564,476	1,134,065	-	-	(430,411)
Total business-type activities	<u>82,260,722</u>	<u>77,304,317</u>	<u>-</u>	<u>6,012,175</u>	<u>1,055,770</u>
Total primary government	<u>\$ 997,110,630</u>	<u>121,216,291</u>	<u>409,106,954</u>	<u>40,639,335</u>	<u>(426,148,050)</u>
Component units:					
Worcester Redevelopment Authority	\$ 3,531,454	226,696	-	3,204,299	(100,459)
Upper Blackstone Water Pollution Abatement District	<u>27,386,821</u>	<u>28,899,546</u>	<u>665,158</u>	<u>1,157,921</u>	<u>3,335,804</u>
Total component units	<u>\$ 30,918,275</u>	<u>29,126,242</u>	<u>665,158</u>	<u>4,362,220</u>	<u>3,235,345</u>

(Continued)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2019

	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)	\$ (427,203,820)	1,055,770	(426,148,050)	(100,459)	3,335,804
General revenues:					
Property taxes	297,653,294	-	297,653,294	-	-
Motor vehicle excise taxes	16,550,906	-	16,550,906	-	-
Other taxes and in-lieu payments	7,928,298	-	7,928,298	-	-
Penalties and interest on taxes	2,328,519	-	2,328,519	-	-
Intergovernmental (unrestricted)	43,796,385	-	43,796,385	-	-
Investment earnings	5,330,908	-	5,330,908	1,656	931,431
Gain (loss) on sale of capital assets	-	-	-	-	-
Energy sales and rebates	3,310,984	-	3,310,984	-	-
Miscellaneous	4,047,467	-	4,047,467	-	-
Transfers (net)	1,143,040	(1,143,040)	-	-	-
Total general revenues and transfers (net)	382,089,801	(1,143,040)	380,946,761	1,656	931,431
Contributions to permanent funds	507,195	-	507,195	-	-
Sub-total	382,596,996	(1,143,040)	381,453,956	1,656	931,431
Change in net position	(44,606,824)	(87,270)	(44,694,094)	(98,803)	4,267,235
Net position - beginning	(740,535,423)	66,479,124	(674,056,299)	12,026,298	12,681,867
Net position - ending	\$ (785,142,247)	66,391,854	(718,750,393)	11,927,495	16,949,102

(Concluded)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Balance Sheet

## Governmental Funds

June 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 89,206,658	20,979,674	24,821,466	135,007,798
Restricted cash and cash equivalents	-	-	68,002,802	68,002,802
Restricted investments	17,430,104	-	21,674,064	39,104,168
Due from other funds	7,784,827	-	-	7,784,827
Receivables (net of allowance for uncollectibles)	16,550,479	-	1,374,103	17,924,582
Intergovernmental receivables	15,043,477	-	18,591,049	33,634,526
<b>Total assets</b>	<u>\$ 146,015,545</u>	<u>20,979,674</u>	<u>134,463,484</u>	<u>301,458,703</u>
<b>Liabilities:</b>				
Accounts payable	\$ 47,639,003	-	9,879,414	57,518,417
Due to general fund	-	-	7,784,827	7,784,827
Retainage payable	-	-	3,712,737	3,712,737
Temporary loans	-	-	48,918,419	48,918,419
Other liabilities	5,378,652	-	2,645,878	8,024,530
<b>Total liabilities</b>	<u>53,017,655</u>	<u>-</u>	<u>72,941,275</u>	<u>125,958,930</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue-school construction reimbursement	12,703,933	-	-	12,703,933
Unavailable revenue-property taxes	7,207,701	-	-	7,207,701
Unavailable revenue-other	7,685,012	-	1,374,103	9,059,115
<b>Total deferred inflows of resources</b>	<u>27,596,646</u>	<u>-</u>	<u>1,374,103</u>	<u>28,970,749</u>
<b>Fund balances:</b>				
Nonspendable	-	-	16,021,620	16,021,620
Restricted	17,430,104	-	55,318,410	72,748,514
Committed	-	20,979,674	24,821,466	45,801,140
Unassigned	47,971,140	-	(36,013,390)	11,957,750
<b>Total fund balances</b>	<u>65,401,244</u>	<u>20,979,674</u>	<u>60,148,106</u>	<u>146,529,024</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 146,015,545</u>	<u>20,979,674</u>	<u>134,463,484</u>	<u>301,458,703</u>

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, 2019

Total governmental fund balances (Exhibit 3)	\$ 146,529,024
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	902,074,931
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	28,970,749
An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	16,037,507
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.	(9,013,981)
Deferred outflows and inflows of resources of the pension plan are not reported in government funds.	98,459,667
Deferred outflows and inflows of resources of OPEB are not reported in government funds.	64,772,212
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	(550,478,959)
Capital lease payable	(11,811,628)
Net pension liability	(527,091,703)
Total OPEB liability	(900,364,244)
Judgments and claims	(17,066,991)
Compensated absences	(14,482,831)
Landfill closure costs and post closure costs	<u>(11,676,000)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ (785,142,247)</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, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Revenues:</b>				
Property taxes	\$ 296,190,487	-	-	296,190,487
Motor vehicle excise taxes	16,630,542	-	-	16,630,542
Other taxes and in-lieu payments	6,111,556	2,380,878	-	8,492,434
Penalties and interest on taxes	2,328,519	-	-	2,328,519
Licenses and permits	6,736,148	-	-	6,736,148
Intergovernmental	312,311,867	-	114,471,298	426,783,165
Charges for services	7,277,318	-	25,866,836	33,144,154
Fines and forfeitures	2,387,587	-	-	2,387,587
Investment earnings (losses)	4,045,877	-	1,285,031	5,330,908
Donations	-	-	2,835,990	2,835,990
Contributions to permanent funds	-	-	507,195	507,195
Energy sales and rebates	1,891,092	-	1,419,892	3,310,984
Miscellaneous	3,017,530	-	1,029,937	4,047,467
<b>Total revenues</b>	<u>658,928,523</u>	<u>2,380,878</u>	<u>147,416,179</u>	<u>808,725,580</u>
<b>Expenditures:</b>				
Current:				
General government	21,507,890	-	4,868,057	26,375,947
Public safety	97,692,700	-	19,298,360	116,991,060
Health and human services	3,892,620	-	7,892,213	11,784,833
Education	287,372,024	-	98,429,143	385,801,167
Public works	22,179,961	-	47,690,887	69,870,848
Culture and recreation	12,001,053	-	12,087,098	24,088,151
Fringe benefits	113,187,823	-	-	113,187,823
Community development	-	-	8,886,722	8,886,722
State and regional charges	33,275,131	-	-	33,275,131
Debt service:				
Principal	34,852,507	10,706,959	2,899,398	48,458,864
Interest	17,827,891	5,746,512	1,245,085	24,819,488
<b>Total expenditures</b>	<u>643,789,600</u>	<u>16,453,471</u>	<u>203,296,963</u>	<u>863,540,034</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>15,138,923</u>	<u>(14,072,593)</u>	<u>(55,880,784)</u>	<u>(54,814,454)</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,132,870	14,794,478	10,747,834	28,675,182
Transfers out	(15,314,971)	(500,000)	(11,717,171)	(27,532,142)
Premium on issuance of bonds and notes	-	-	3,185,841	3,185,841
Issuance of bonds	-	-	70,718,652	70,718,652
Capital lease	5,058,583	-	-	5,058,583
<b>Total other financing sources (uses)</b>	<u>(7,123,518)</u>	<u>14,294,478</u>	<u>72,935,156</u>	<u>80,106,116</u>
<b>Net change in fund balances</b>	8,015,405	221,885	17,054,372	25,291,662
Fund balances – beginning	57,385,839	20,757,789	43,093,734	121,237,362
Fund balances – ending	<u>\$ 65,401,244</u>	<u>20,979,674</u>	<u>60,148,106</u>	<u>146,529,024</u>

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 25,291,662
<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	103,473,509
Depreciation	(54,506,230)
<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>	
	(3,146,489)
<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	(70,718,652)
New capital leases	(5,058,583)
Bond and note maturities	48,458,864
Capital lease principal payments	2,093,138
Net deferrals and amortization of bond premiums	621,386
<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>	
	(288,021)
<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>	
	(3,199,210)
<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>	
Pension expense	(38,548,197)
OPEB expense	(53,851,528)
Judgments and claims	5,108,601
Compensated absences	(947,074)
Landfill closure and post closure care	610,000
	610,000
Change in net position of governmental activities (Exhibit 2)	\$ (44,606,824)

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	Business-type activities			Totals	Governmental activities
	Major		Nonmajor		Internal Service Fund
	Water	Sewer	Golf Course		
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 16,259,646	3,337,303	126,399	19,723,348	23,493,090
Restricted cash and cash equivalents	6,343,961	6,038,833	120,503	12,503,297	-
Receivables (net)	2,730,991	15,112,576	-	17,843,567	-
Total current assets	<u>25,334,598</u>	<u>24,488,712</u>	<u>246,902</u>	<u>50,070,212</u>	<u>23,493,090</u>
Noncurrent assets:					
Capital assets:					
Land	7,832,488	116,500	-	7,948,988	-
Buildings	43,904,652	5,459,258	965,493	50,329,403	-
Infrastructure	179,607,831	266,205,784	3,831,573	449,645,188	-
Equipment and other	3,924,248	515,745	-	4,439,993	-
Rolling equipment	3,813,408	9,667,670	-	13,481,078	-
Less accumulated depreciation	(126,994,920)	(138,266,435)	(1,809,922)	(267,071,277)	-
Capital assets, net	<u>112,087,707</u>	<u>143,698,522</u>	<u>2,987,144</u>	<u>258,773,373</u>	<u>-</u>
Due from intergovernmental	-	431,008	-	431,008	-
Total noncurrent assets	<u>112,087,707</u>	<u>144,129,530</u>	<u>2,987,144</u>	<u>259,204,381</u>	<u>-</u>
<b>Total assets</b>	<u>137,422,305</u>	<u>168,618,242</u>	<u>3,234,046</u>	<u>309,274,593</u>	<u>23,493,090</u>
<b>Deferred outflows of resources:</b>					
Related to pensions	4,474,797	1,872,003	120,869	6,467,669	-
Related to OPEB	1,206,521	455,219	19,391	1,681,131	-
Total deferred outflows of resources	<u>5,681,318</u>	<u>2,327,222</u>	<u>140,260</u>	<u>8,148,800</u>	<u>-</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	1,143,553	3,365,699	126,399	4,635,651	286,602
Accrued liabilities	872,277	1,334,331	52,407	2,259,015	7,168,981
Retainage payable	189,296	1,258,599	93,727	1,541,622	-
Judgments and claims	239,791	64,537	-	304,328	-
Compensated absences	412,863	181,694	12,573	607,130	-
Temporary loans	10,226,250	13,964,374	598,957	24,789,581	-
Other	251,317	391,240	13,303	655,860	-
Bonds and notes payable	4,639,193	5,681,105	253,456	10,573,754	-
Total current liabilities	<u>17,974,540</u>	<u>26,241,579</u>	<u>1,150,822</u>	<u>45,366,941</u>	<u>7,455,583</u>
Noncurrent liabilities:					
Judgments and claims	327,986	1,265,982	-	1,593,968	-
Compensated absences	91,407	30,018	12,067	133,492	-
Net pension liability	20,379,989	9,448,478	555,382	30,383,849	-
Total OPEB liability	11,332,585	6,656,737	288,676	18,277,998	-
Other	1,162,699	2,068,776	69,634	3,301,109	-
Bonds and notes payable	51,715,478	96,524,359	2,011,836	150,251,673	-
Total noncurrent liabilities	<u>85,010,144</u>	<u>115,994,350</u>	<u>2,937,595</u>	<u>203,942,089</u>	<u>-</u>
<b>Total liabilities</b>	<u>102,984,684</u>	<u>142,235,929</u>	<u>4,088,417</u>	<u>249,309,030</u>	<u>7,455,583</u>
<b>Deferred inflows of resources:</b>					
Related to pensions	1,240,230	469,819	12,460	1,722,509	-
<b>Net position (deficit):</b>					
Net investment in capital assets	51,803,591	33,674,357	243,399	85,721,347	-
Unrestricted	(12,924,882)	(5,434,641)	(969,970)	(19,329,493)	16,037,507
<b>Total net position (deficit)</b>	<u>\$ 38,878,709</u>	<u>28,239,716</u>	<u>(726,571)</u>	<u>66,391,854</u>	<u>16,037,507</u>

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, 2019

	Business-type activities				Governmental
	Major		Nonmajor	Totals	Internal
	Water	Sewer	Golf Course		Service Fund
<b>Operating revenues:</b>					
Charges for services	\$ 28,132,337	45,273,288	-	73,405,625	-
Employer contributions	-	-	-	-	70,313,352
Employee contributions	-	-	-	-	24,187,281
Fees	-	-	1,107,229	1,107,229	-
Miscellaneous	1,794,978	969,649	26,836	2,791,463	-
<b>Total operating revenues</b>	<b>29,927,315</b>	<b>46,242,937</b>	<b>1,134,065</b>	<b>77,304,317</b>	<b>94,500,633</b>
<b>Operating expenses:</b>					
Salaries and benefits	12,987,512	7,429,740	440,289	20,857,541	-
Benefit payments	-	-	-	-	98,195,312
Ordinary maintenance	3,729,077	25,233,661	839,992	29,802,730	-
Indirect costs	2,438,155	3,882,750	33,067	6,353,972	-
Depreciation	8,093,978	10,882,021	161,752	19,137,751	-
<b>Total operating expenses</b>	<b>27,248,722</b>	<b>47,428,172</b>	<b>1,475,100</b>	<b>76,151,994</b>	<b>98,195,312</b>
<b>Operating income (loss)</b>	<b>2,678,593</b>	<b>(1,185,235)</b>	<b>(341,035)</b>	<b>1,152,323</b>	<b>(3,694,679)</b>
<b>Nonoperating revenues</b>					
<b>(expenses):</b>					
Investment income	-	-	-	-	495,469
Interest expense	(2,261,982)	(3,757,370)	(89,376)	(6,108,728)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(2,261,982)</b>	<b>(3,757,370)</b>	<b>(89,376)</b>	<b>(6,108,728)</b>	<b>495,469</b>
<b>Income (loss) before capital grants and transfers</b>	<b>416,611</b>	<b>(4,942,605)</b>	<b>(430,411)</b>	<b>(4,956,405)</b>	<b>(3,199,210)</b>
Capital grants and donations	45,000	5,967,175	-	6,012,175	-
Transfers in	-	320,050	377,492	697,542	-
Transfers out	(1,267,470)	(553,595)	(19,517)	(1,840,582)	-
<b>Change in net position</b>	<b>(805,859)</b>	<b>791,025</b>	<b>(72,436)</b>	<b>(87,270)</b>	<b>(3,199,210)</b>
Total net position – beginning	39,684,568	27,448,691	(654,135)	66,479,124	19,236,717
Total net position – ending	\$ 38,878,709	28,239,716	(726,571)	66,391,854	16,037,507

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Major</b>		<b>Nonmajor</b>	<b>Totals</b>	<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Golf Course</b>		
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 30,615,733	44,968,045	1,134,065	76,717,843	95,371,719
Payments for interfund service provided	-	-	-	-	(95,924,751)
Payments to suppliers	(6,370,213)	(29,369,460)	(875,563)	(36,615,236)	-
Payments to employees	(10,969,584)	(6,475,281)	(373,831)	(17,818,696)	-
Net cash provided (used) by operating activities	<u>13,275,936</u>	<u>9,123,304</u>	<u>(115,329)</u>	<u>22,283,911</u>	<u>(553,032)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	-	320,050	377,492	697,542	-
Transfers (out)	(1,267,470)	(553,595)	(19,517)	(1,840,582)	-
Net cash provided (used) by noncapital financing activities	<u>(1,267,470)</u>	<u>(233,545)</u>	<u>357,975</u>	<u>(1,143,040)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Intergovernmental subsidies and grants	225,000	7,928,190	-	8,153,190	-
Issuance of capital debt (long & short)	19,362,494	26,938,051	1,656,829	47,957,374	-
Acquisition and construction of capital assets	(8,908,093)	(23,315,711)	(549,595)	(32,773,399)	-
Principal paid on capital debt	(13,776,237)	(18,515,700)	(1,236,265)	(33,528,202)	-
Interest paid on capital debt	(2,329,450)	(3,859,283)	(97,940)	(6,286,673)	-
Net cash provided (used) by capital and related financing activities	<u>(5,426,286)</u>	<u>(10,824,453)</u>	<u>(226,971)</u>	<u>(16,477,710)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Investment income	-	-	-	-	495,469
Net increase (decrease) in cash and cash equivalents	6,582,180	(1,934,694)	15,675	4,663,161	(57,563)
Cash and cash equivalents at beginning of year (includes \$5,073,040, \$8,658,535 and \$127,910 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>16,021,427</u>	<u>11,310,830</u>	<u>231,227</u>	<u>27,563,484</u>	<u>23,550,653</u>
Cash and cash equivalents at end of year (includes \$6,343,961, \$6,038,833 and \$120,503 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>\$ 22,603,607</u>	<u>9,376,136</u>	<u>246,902</u>	<u>32,226,645</u>	<u>23,493,090</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 2,678,593	(1,185,235)	(341,035)	1,152,323	(3,694,679)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities not requiring current expenditure of cash:					
Depreciation expense	8,093,978	10,882,021	161,752	19,137,751	-
Net deferred outflows	(2,209,444)	(878,237)	(50,864)	(3,138,545)	-
Total OPEB liability	1,598,625	795,073	40,739	2,434,437	-
Net deferred inflows	(837,915)	(339,498)	(18,242)	(1,195,655)	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Due from General Fund	-	-	-	-	871,086
Accounts receivable	688,418	(1,274,892)	-	(586,474)	589,718
Accounts payable	121,398	(1,372,689)	(1,118)	(1,252,409)	123,221
Accrued liabilities	-	-	-	-	1,557,622
Judgments and claims payable	(332,974)	1,116,209	-	783,235	-
Compensated absences payable	(3,555)	(14,069)	2,447	(15,177)	-
Net pension liability	3,478,812	1,394,621	90,992	4,964,425	-
Total adjustments	<u>10,597,343</u>	<u>10,308,539</u>	<u>225,706</u>	<u>21,131,588</u>	<u>3,141,647</u>
Net cash provided (used) by operating activities	<u>\$ 13,275,936</u>	<u>9,123,304</u>	<u>(115,329)</u>	<u>22,283,911</u>	<u>(553,032)</u>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Fiduciary Net Position

June 30, 2019

	<b>Pension Trust Fund (As of December 31, 2018)</b>	<b>Agency Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,608,318	480,881
Investments, at fair value:		
Equities	10,096,567	-
Fixed income	98,144,108	-
Pooled equities	297,111,590	-
Pooled fixed income	50,778,524	-
External investment pool	236,041,192	-
Real estate	82,626,295	-
Alternative investments	126,757,131	-
<b>Total investments</b>	<u>901,555,407</u>	<u>-</u>
Receivables:		
Accrued interest and dividends	564,512	-
Due from Commonwealth of Massachusetts and other systems	802,745	-
Receivable for securities sold	84,015	-
<b>Total receivables</b>	<u>1,451,272</u>	<u>-</u>
Securities lending collateral	10,074,393	-
<b>Total assets</b>	<u>917,689,390</u>	<u>480,881</u>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	314,758	3,225
Due to student groups	-	477,656
Due to Commonwealth of Massachusetts and other systems	2,763,391	-
Payable for securities purchased	71,071	-
Collateral held on securities lending transactions	10,074,393	-
<b>Total liabilities</b>	<u>13,223,613</u>	<u>480,881</u>
<b>Net position:</b>		
Net position restricted for pensions	\$ <u>904,465,777</u>	<u>-</u>

See accompanying notes to basic financial statements.



**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

### (1) Summary of Significant Accounting Policies

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

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

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

#### **Primary Government**

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2019, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2018.

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(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.

#### **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 35 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2019 amounted to \$3,411,

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

which represented approximately 68.44% 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, 2019, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The implementation of GASB Statement No.'s 83 and 88 had no reporting impact for the City.

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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

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

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

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

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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

The City reports the following major governmental funds:

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

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.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

- **Agency Fund** – The agency fund is used to account for student activity funds.

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

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

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

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

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

#### **Cash Equivalents**

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

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

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

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

## **CITY OF WORCESTER, MASSACHUSETTS**

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

#### **Property Taxes**

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

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

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

#### **Inventory**

The cost of supplies and other inventoriable items for governmental funds are recorded as an expenditure at the time of purchase (purchase method). The cost of supplies and other inventoriable items for enterprise funds are valued using the first-in/first-out (FIFO) method. No significant inventory balances were on hand at June 30, 2019, 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 2019. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 20 to

## **CITY OF WORCESTER, MASSACHUSETTS**

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

40 years for facilities and 20 to 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

#### **Compensated Absences**

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

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

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has three types of items that qualify for reporting in this category. Deferred inflows related to pensions and OPEB are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68 and 75, respectively. The primary government also has deferred inflows which arise under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

#### **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 reserve 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.

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

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

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

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

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

“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

## **CITY OF WORCESTER, MASSACHUSETTS**

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

authority to assign fund balance (by adoption of an order) as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

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

#### **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, 2019, 100% of the City's expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and post closure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2019 were \$610.

#### **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

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

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judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the proprietary and government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

### **Long-Term Liabilities**

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

### **Investment Income**

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

### **Use of Estimates**

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

### **Total Column**

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

## **(2) Property Taxes**

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount, which will equal the sum of

## CITY OF WORCESTER, MASSACHUSETTS

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(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 2019, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$4,587. In fiscal 2019, expenditures exceeded budgetary estimates for intergovernmental expenditures by \$334.

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

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

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

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

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

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage

**CITY OF WORCESTER, MASSACHUSETTS**

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for the first \$250 of deposits held at each financial institution and augment the coverage with banks that participate in private insurance such as the Depository Insurer’s Fund, and to collateralize certain bank accounts. As of June 30, 2019, \$127,838 of the City’s bank balance of \$149,170 was insured and collateralized with securities held by pledging financial institutions, and \$21,332 was uninsured and uncollateralized.

Investments Summary (City)

The City’s investments at June 30, 2019, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Total Amount</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. Agencies.....	\$ 1	\$ -	1	-	-
Corporate bonds.....	132	-	10	70	52
Money market mutual funds.....	130	130	-	-	-
Fixed income securities.....	5,855	5,855	-	-	-
External investment pools.....	<u>116,982</u>	<u>116,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total debt securities.....	 <u>123,100</u>	 <u>\$ 122,967</u>	 <u>11</u>	 <u>70</u>	 <u>52</u>
 <u>Other investments:</u>					
Equity mutual funds.....	<u>15,557</u>				
 Total investments.....	 <u>\$ 138,657</u>				

Investments - Interest Rate Risk of Debt Securities (City)

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

Investments - Custodial Credit Risk (City)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2019, none of the City’s investments were exposed to custodial credit risk.

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Investments - Credit Risk of Debt Securities (City)

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Certain trust funds can invest in securities that are rated below AAA. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2019, 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:

Quality Ratings *	Investment Type					Total Amount
	U.S. Agencies	Corporate Bonds	Money Market Mutual Funds	Fixed Income Securities	External Investment Pool	
AA+.....	\$ 1	10	-	-	-	11
AA-.....	-	4	-	-	-	4
A-.....	-	28	-	-	-	28
BBB+.....	-	19	-	-	-	19
BBB.....	-	43	-	-	-	43
BBB-.....	-	28	-	-	-	28
Unrated.....	-	-	130	5,855	116,982	122,967
Total.....	\$ 1	132	130	5,855	116,982	123,100

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

Investments – Fair Value Measurements (City)

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2019:

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Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt Securities:</b>				
U.S. Agencies.....	\$ 1	\$ 1	-	-
Corporate bonds.....	132	132	-	-
Fixed income securities.....	5,855	5,855	-	-
Total debt securities.....	<u>5,988</u>	<u>5,988</u>	-	-
<b>Equity Securities:</b>				
Equity mutual funds.....	<u>15,557</u>	<u>15,557</u>	-	-
Total investments by fair value level.....	<u>21,545</u>	<u>\$ 21,545</u>	-	-
Total investments measured at fair value.....	<u>\$ 21,545</u>			

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

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

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

Deposits - Custodial Credit Risk (WRS)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2018, the WRS's bank balance of \$1,872 was not exposed to custodial credit risk.

Investments Summary (WRS)

The WRS's investments at December 31, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

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Investment Type	Total Amount	Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 46,351	\$ 248	20,221	19,322	6,560
U.S. Agencies.....	19,255	240	696	-	18,319
Corporate bonds.....	21,171	1,364	8,678	4,901	6,228
Money market mutual funds.....	3,839	3,839	-	-	-
Securities lending short-term collateral investment pool.....	10,074	10,074	-	-	-
External investment pool.....	236,041	236,041	-	-	-
Fixed income mutual funds.....	50,779	50,779	-	-	-
Mortgage backed securities.....	6,212	-	-	-	6,212
Asset backed securities.....	5,155	-	3,550	276	1,329
Total debt securities.....	<u>398,877</u>	<u>\$ 302,585</u>	<u>33,145</u>	<u>24,499</u>	<u>38,648</u>
<u>Other investments:</u>					
Equity securities.....	10,097				
Equity mutual funds.....	297,112				
Real estate investments.....	82,626				
Alternative investments.....	<u>126,757</u>				
Total other investments.....	<u>516,592</u>				
Total investments.....	<u>\$ 915,469</u>				

Investments - Interest Rate Risk of Debt Securities (WRS)

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

Investments - Custodial Credit Risk (WRS)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2018, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities (WRS)

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS does not have a policy for credit risk of debt securities. As of December 31, 2018, the credit quality ratings of the WRS's debt securities are as follows:

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Quality Ratings *	Investment Type								Total Amount
	U.S. Agencies	Corporate Bonds	Money Market Mutual Funds	Securities Lending Pool	Fixed Income Mutual Funds	External Investment Pool	Mortgage Backed Securities	Asset Backed Securities	
AAA.....	\$ -	295	-	-	-	-	1,264	2,658	4,217
AA+.....	-	253	-	-	-	-	-	-	253
AA.....	1,313	1,389	-	-	-	-	-	-	2,702
AA-.....	-	1,846	-	-	-	-	-	-	1,846
A+.....	-	441	-	-	-	-	-	-	441
A.....	-	1,969	-	-	-	-	-	-	1,969
A-.....	-	3,252	-	-	-	-	-	-	3,252
BB+.....	-	197	-	-	-	-	-	-	197
BBB+.....	-	4,164	-	-	-	-	-	464	4,628
BBB.....	-	6,924	-	-	-	-	-	203	7,127
BBB-.....	-	441	-	-	-	-	-	-	441
Unrated.....	17,941	-	3,839	10,075	50,779	236,041	4,949	1,830	325,454
Total.....	\$ 19,254	21,171	3,839	10,075	50,779	236,041	6,213	5,155	352,527

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

Deposits and Investments – Foreign Currency Risk (WRS)

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS’s policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2018, the WRS had no exposure to foreign currency risk.

Investments – Concentration of Credit Risk (WRS)

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS’s investment in a single issuer. The WRS’s policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2018, the WRS was not exposed to concentration of credit risk.

Investments – Fair Value Measurements (WRS)

WRS categorizes its fair value measurements within fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. WRS has the following recurring fair value measurements as of December 31, 2018:

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Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 46,351	\$ 46,351	-	-
U.S. Agencies.....	19,254	19,254	-	-
Corporate bonds.....	21,171	21,171	-	-
Fixed income mutual funds.....	50,779	50,779	-	-
Mortgage backed securities.....	6,212	6,212	-	-
Asset backed securities.....	5,155	5,155	-	-
Total debt securities.....	<u>148,922</u>	<u>148,922</u>	-	-
<u>Equity Securities:</u>				
Equity securities.....	10,097	10,097	-	-
Equity mutual funds.....	217,931	217,931	-	-
Total equity securities.....	<u>228,028</u>	<u>228,028</u>	-	-
Total investments by fair value level.....	<u>376,950</u>	<u>\$ 376,950</u>	-	-
<u>Investments measured at the net asset value (NAV)</u>				
Private equities.....	115,042			
Real estate.....	82,626			
External investment pool (PRIT).....	236,041			
Pooled international equities fund (PRIT).....	79,181			
Other pooled funds (PRIT).....	11,715			
Investments measured at the net asset value (NAV).....	<u>524,605</u>			
Total investments measured at fair value.....	\$ <u>901,555</u>			

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equities (1).....	\$ 115,042	26,261	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Real estate (2).....	82,626	1,333	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
External investment pool (PRIT) (3).....	236,041	-	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>
Pooled international equities fund (PRIT) (4).....	79,181	-	N/A <sup>(4)</sup>	N/A <sup>(4)</sup>
Other pooled funds (PRIT) (5).....	11,715	66,809	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>
Total investments measured at NAV.....	<u>\$ 524,605</u>			

(1) *Private equities* - This investment type includes investments in 33 private equity funds that invest primarily in private domestic and international companies of diversified industries. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 27 percent of these investments

## CITY OF WORCESTER, MASSACHUSETTS

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can be redeemed quarterly with 90 days' notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. For approximately 14 percent of the investments it is expected that the underlying assets of the funds will be liquidated over the next 1 to 5 years. For the remaining investments, it is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

- (2) *Real estate* - This investment type includes investments in 9 funds that invest primarily in real estate and North American timberlands. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 78 percent of these investments can be redeemed on the first business day of the month following one day's notice. The remaining investments are illiquid. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 6 years.
- (3) *External investment pool (PRIT)* - The System is a participating retirement system in the PRIT fund. The System owns units, or shares in the PRIT fund, which is a pooled investment trust. The investments made by the System are governed by Chapter 32 of the MGL. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership in the pool. The investments can be redeemed monthly on the first day of the month with one day's notice.
- (4) *Pooled international equities fund (PRIT)* - This investment type consists of pooled international equities of emerging and frontier market securities portfolios. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership in the pool. The investments can be redeemed monthly on the first day of the month with one day's notice.
- (5) *Other pooled funds (PRIT)* - This investment type consists of two funds of pooled private equities and venture capital investments diversified by region, industry, and sector. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership in the pool. The investments are illiquid. Distributions from the fund will be received as the underlying investments of the fund are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

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

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

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

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

The District invests in units in the Massachusetts Municipal Depository Trust (MMDT). At June 30, 2019, the District's deposits with MMDT totaled \$659. The MMDT was established to provide a short-term external investment pool entirely separate from other financial activities of the Commonwealth of

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

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Massachusetts. The investment pool measures its investments at amortized cost and there are no restrictions on withdrawals. The State Treasurer serves as the Trustee, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. The MMDT is not rated by any independent fund rating institution and the weighted average maturity of its investments in its Cash Portfolio is less than one year. For a complete copy of MMDT's separately issued financial statements, the Cash Management Department of the State Treasurer's Office should be contracted.

Investments – Fair Value Measurements (*The District*)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2019:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Agency Obligations	\$ 5,685	\$ 5,685	-	-
Total Debt Securities	5,685	5,685	-	-
Equity securities:				
Industrials	657	657	-	-
Consumer discretionary	268	268	-	-
Consumer staples	1,548	1,548	-	-
Health care	1,586	1,586	-	-
Financial services	745	745	-	-
Utilities	525	525	-	-
Other	539	539	-	-
Total equity securities	5,868	5,868	-	-
Total investments by fair value	11,553	\$ 11,553	-	-
Cash	118			
Total Investments	\$ 11,671			

At June 30, 2019, the District had a net unrealized gain of \$1,223 on its investments.

**CITY OF WORCESTER, MASSACHUSETTS**

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

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 index duration currently averages 1.91 years.

Investments - Custodial Credit Risk (*The District*)

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 in the custody of Fidelity Investments at June 30, 2019. The District's securities are protected under Securities and Exchange Commission Rule 15c3-3 and additional insurance by the custodian of its securities. As of June 30, 2019, none of the District's investments were subject to custodial credit risk.

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

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 an Aaa rating by Moody's rating service or are full faith obligations of the U.S. Treasury. As of June 30, 2019, the credit quality ratings of the District's debt securities are as follows:

<u>Quality Rating</u>	<u>U.S. Agencies</u>
Aaa	\$ 5,685

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Currently, the District instructs its investment managers not to invest more than 5% of the 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, 2019, 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 reserves for various purposes.

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Investments – Fair Value Measurements (*The District’s OPEB Trust*):

The District’s OPEB Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s OPEB Trust has the following recurring fair value measurements as of June 30, 2019:

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt securities:				
U.S. Agency Obligations	\$ 255	\$ 255	-	-
Total Debt Securities	<u>255</u>	<u>255</u>	<u>-</u>	<u>-</u>
Equity securities:				
Energy	41	41	-	-
Materials	17	17	-	-
Industrials	81	81	-	-
Consumer discretionary	67	67	-	-
Consumer staples	61	61	-	-
Health care	117	117	-	-
Financial services	95	95	-	-
Information technology	148	148	-	-
Real estate	25	25	-	-
Communication services	84	84	-	-
Utilities	20	20	-	-
Total equity securities	<u>756</u>	<u>756</u>	<u>-</u>	<u>-</u>
Total investments by fair value	1,011	\$ <u>1,011</u>	<u>-</u>	<u>-</u>
Floating rate high income fund	443			
Cash	<u>687</u>			
Total Investments	\$ <u>2,141</u>			

At June 30, 2019, the District’s OPEB Trust has a net unrealized gain of \$1 on its investments.

**CITY OF WORCESTER, MASSACHUSETTS**

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

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

Deposits - Custodial Credit Risk (WRA)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRA's deposits may not be recovered. The WRA does not have a policy for custodial credit risk of deposits. As of June 30, 2019, none of the WRA's bank balance of \$1,773 was uninsured and uncollateralized.

***(e) Securities Lending (WRS)***

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.

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, 2018. 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, 2018, 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, 2018 were \$10,289 and \$10,074, respectively. Borrower rebates and fees paid to the broker were \$27 for the year ended December 31, 2018.

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

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

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

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

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

Membership in WRS was as follows at December 31, 2018:

Active employees	3,393
Pensioners and beneficiaries	2,717
Inactive employees not entitled to or not receiving benefits	764
Inactive employees entitled to or receiving benefits	<u>108</u>
Total members	<u>6,982</u>
Number of participating employers	<u>2</u>

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

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

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

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

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

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

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

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

(c) ***Contributions (WRS)***

Chapter 32 of MGL governs and establishes the contribution requirements of plan members and the City and such requirements may only be amended by state law. Participation in the plan requires that members contribute a fixed percentage of their gross regular compensation (either 5%, 7%, 8% or 9%) each pay period. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employees hired after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at

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a rate determined by PERAC that vests based upon years of service. Employers are required to pay into WRS its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

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

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$860 for the fiscal year ended June 30, 2019 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

For the year ended December 31, 2018, active member contributions totaled \$19,969 and employer contributions totaled \$49,098. Contributions to WRS from the City were \$45,477 for the year ended June 30, 2019.

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

The components of the net pension liability of the WRS at December 31, 2018, were as follows:

Total pension liability	\$	1,506,337
Plan fiduciary net position		<u>(904,466)</u>
Net pension liability	\$	<u>601,871</u>
Plan fiduciary net position as a percentage of the total pension liability		60.04%

At June 30, 2019, the City reported a liability of \$557,476 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The City's proportion of the net pension liability is the proportionate share of employer contributions to WRS for the year ended December 31, 2018, actuarially determined. At December 31, 2018, the City's proportion was 92.62 percent, which was 0.67 percentage points higher than the proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$86,008. At June 30, 2019, the City reported deferred outflows (inflows) of resources of \$103,205 related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows (inflows) of resources related to pensions		
Changes of assumptions	\$ 66,151	-
Net difference between projected and actual earnings on WRS investments	44,300	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,084	2,418
Differences between expected and actual experience	-	8,912
Total	\$ <u>114,535</u>	<u>11,330</u>

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2019 that will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2020	\$ 33,624
2021	17,742
2022	15,733
2023	27,001
2024	9,105
	\$ <u>103,205</u>

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

The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level payments on the 2010 ERI liability; total appropriation increases 6.33% per year through 2033 with the annual contribution decreasing 12% in 2034.
Remaining amortized period (period is closed)	2 years for the 2010 ERI liability 15 years for the remaining unfunded liability 15 years is the equivalent single amortization period (ESAP)

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Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the market value.
Discount rate/investment rate of return	6.9%, net of pension plan investment expense, including inflation
Projected salary increases	3.5% for the next year and 4.0% thereafter
Rate of inflation	2.5% for the next year and 3.0% thereafter
Cost of living adjustments	3.0% of the first \$13 of retirement income
Mortality rates:	Pre-Retirement is based on RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. Healthy retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Disabled retiree is based on RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2018. 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 7.0% to 6.9%.

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

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

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

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surrounded by a band of permissible variation resulting from market forces. On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals. Permanent changes in the WRS's target asset allocation will take place only in response to significant changes in the objectives and constraints of the WRS, or in response to material changes in the fundamental nature or appropriateness of the asset classes themselves. The following was the asset allocation policy as of December 31, 2018:

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

For the year ended December 31, 2018, the annual money-weighted rate of return on WRS investments, net of investment expense, was -3.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return (%)
Domestic equity	6.2
International developed markets equity	6.7
International emerging markets equity	9.5
Core fixed income	1.9
High-yield fixed income	4.0
Real estate	4.6
Commodities	4.8
Hedge fund, global tactical asset allocation, risk parity	3.7
Private equity	10.0

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

The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that WRS's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
System's net pension liability	\$ 775,463	\$ 601,871	\$ 455,646

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

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	1% Decrease	Current Discount Rate	1% Increase
	<u>(5.9%)</u>	<u>(6.9%)</u>	<u>(7.9%)</u>
City's share of net pension liability	\$ 718,263	\$ 557,476	\$ 422,036

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

The balance in WRS's legally required reserves as of December 31, 2018 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 201,755	Active members' contribution balance
Annuity Reserve Fund	63,477	Retired members' contribution account
Military Service Fund	188	Members' contribution account while on military leave
Pension Reserve Fund	636,872	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>2,174</u>	Remaining net position
Total	\$ <u>904,466</u>	

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

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

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

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

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

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

**(b) Contributions (MTRS)**

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

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

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

Since the City does not contribute directly to MTRS, the City does not report a proportionate share of the net pension liability of the MTRS at June 30, 2019. The Commonwealth's net pension liability associated with the City was \$626,838.

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$63,521 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

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

The MTRS' total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

Investment rate of return	7.35%
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-2014 White Collar Employees Table

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projected generationally with Scale MP-2016 (gender distinct).

Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Other 3.5% interest rate credited to the annuity savings fund  
3.0% cost of living increase per year on the first \$13,000 per year.

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	5.0
Portfolio completion strategies	13.0	3.7
Core fixed income	12.0	0.9
Private equity	12.0	6.6
Value Added Fixed Income	10.0	3.8
Real estate	10.0	3.8
Timber/Natural Resources	4.0	3.4
	<u>100.0</u>	

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

The discount rate used to measure the MTRS’ total pension liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates.

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Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

The 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 (The District)**

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

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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.

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
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 (The District)**

At June 30, 2019, the District reported a liability of \$8,297 for its proportionate share of the net pension liability. The net position was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2019, the District's proportion was 0.06271 percent, which was a decrease of 0.00174 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,042. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 263	169
Changes in assumptions	841	-
Net difference between projected and actual earnings on plan investments	-	288
Changes in proportionate share of contributions	138	223
District contributions subsequent to the measurement date	442	-
Total	<u>\$ 1,684</u>	<u>680</u>

The \$442 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 Plan year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2020	\$ 445
2021	199
2022	(112)
2023	7
2024	22
	<u>\$ 561</u>

*(e) Actuarial Assumptions (The District)*

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018. This valuation used the following assumptions:

1. (a) 7.35% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13 of allowance each year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females.
  - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year for females.

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- Disability – the morality rate reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.
5. Experience studies were performed as follows:
- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 2011.

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

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, 2018 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	39.0	5.0
Core fixed income	12.0	0.9
Private equity	12.0	6.6
Real estate	10.0	3.8
Value Added Fixed Income	10.0	3.8
Timber/Natural Resources	4.0	4.0
Portfolio completion strategies	13.0	3.7
	<u>100.0</u>	

**(g) Discount Rate**

The discount rate used to measure the total pension liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF WORCESTER, MASSACHUSETTS**

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(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 7.35 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 (6.35 percent) or 1-percentage-point higher (8.35 percent) than the current rate:

	1% Decrease <u>(6.35%)</u>	Current Discount Rate <u>(7.35%)</u>	1% Increase <u>(8.35%)</u>
District's proportionate share of the net pension liability	\$ 11,183	\$ 8,297	\$ 5,831

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

**(a) Plan Description - City**

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

The number of employees covered by the benefit terms as of June 30, 2018, the latest actuarial valuation, is as follows:

Inactive employees currently receiving benefit payments	3,964
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>5,489</u>
 Total	 <u>9,453</u>

**(b) Funding Policy - City**

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

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

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

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

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

Measurement date:	June 30, 2019
Valuation date:	June 30, 2018
Actuarial cost method:	Entry Age Normal
Discount rate:	3.13%
Prior year discount rate	3.62%
Inflation rate:	3.00%
Salary scale:	3.00%
Healthcare/Medical cost trend rate:	6.0% for the next twenty-six years, decreasing to an ultimate level of 4.6% after fifty-eight years.
Stop loss trend	8.0% increase for the next twenty-six years, decreasing to an ultimate level of 6.6% after fifty-eight years.
Pre-Retirement Mortality:	Teachers: RPH-2014 white collar employee mortality table, generational with projection scale MP-2018.  General & public safety employees: RPH-2014 employee mortality table, generational with projection scale MP-2018
Post-Retirement Mortality:	Teachers: RPH-2014 white collar healthy annuitant mortality table, generational

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(in thousands of dollars)

with projection scale MP-2018.

General & public safety employees: RPH-2014 healthy annuitant mortality table, generational with projection scale MP-2018.

Post-disablement mortality:

RPH-2014 disabled retiree mortality table, Generational with projection scale MP-2018.

**Discount rate (City)** –The discount rate used to measure the total OPEB liability was 3.13 percent and equal to the expected yield or index rate for 20-year, tax-exempt obligation municipal bonds with an average rating of AA/Aa or higher determined as of the measurement date or June 30, 2019.

**(d) Total OPEB Liability (City)**

The City’s total OPEB liability of \$918,642 was measured as of June 30, 2019 for the year ended June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Changes in the total OPEB liability are as follows:

Balance at June 30, 2018	\$ <u>802,710</u>
Changes for the year:	
Service cost	32,552
Interest	25,793
Differences between expected and actual experience	8,669
Changes in assumptions/inputs	71,307
Changes in benefit terms	-
Benefit payments	(22,389)
Administrative expense	-
Net changes	<u>115,932</u>
Balance June 30, 2019	\$ <u>918,642</u>

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

The following presents the Total OPEB Liability calculated using the discount rate of 3.13%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	Discount Rate		
	1% decrease 2.13%	No change 3.13%	1% increase 4.13%
Total OPEB liability	\$ 1,093,735	918,642	781,404

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

The following presents the Total OPEB Liability calculated using the healthcare cost trend rate of 6.0% for the next twenty five years and then decreasing for the next 30 years until an ultimate rate of 4.6% as well as what the Total OPEB Liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Healthcare Trend		
	1% decrease	No change	1% increase
Total OPEB liability	\$ 756,908	918,642	1,132,907

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$77,321.

OPEB Expense		
Service cost	\$	32,552
Interest on the Total OPEB Liability (TOL)		25,793
Projected earnings on plan investments		-
Expensed portion of current-period differences between expected & actual experience in the TOL		3,137
Expensed portion of changes of assumptions or other inputs		<u>15,839</u>
Total OPEB expense	\$	<u>77,321</u>

At June 30, 2019, the City reported net deferred outflows and inflows (inflows reported are less than \$1) of resources related to OPEB of \$66,453 from the differences between actual and expected experience. The amounts reported as deferred outflows and inflows related to OPEB will be recognized in OPEB expense as follows:

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Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

For the year ended June 30:

2020	\$	18,976
2021		18,976
2022		18,977
2023		9,524
2024		-
Thereafter		-

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

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

The District provides health and life insurance benefits to retired employees and their survivors through the Commonwealth’s Group Insurance Commission (GIC), a cost-sharing multiple employer plan (hereinafter referred to as the “Plan”). Specific benefit provisions and contribution rates are established by 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.

The number of participants as of June 30, 2019, the latest actuarial valuation, is as follows:

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

**(b) Funding Policy – The District**

The contribution requirements of Plan members and the District are established and may be amended by the GIC. Retirees, depending on retirement date, pay either 10% or 15% of the cost. At the end of fiscal 2018, the District established an Other Postemployment Benefits (OPEB) Trust and deposited \$1,587 into that trust. The costs of administering the Plan are paid by the District.

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

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

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

The weighted average investment return for fiscal 2019 was 1.72%.

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

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

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

- Interest – unfunded, 7.25% per year net of investment expenses
- Actuarial cost method – entry age normal
- Medical care inflation – 4.5% for 2019 and thereafter
- Amortization period – 30 year level percent of pay assuming 4.0% increasing, closed basis for prefunding

The mortality rates used for the healthy were the RP-2000 Combined Healthy Table – Projected to 2015 using scale AA and for the disabled, the RP-2000 Combined Healthy Table set forward 2 years.

**(e) Discount rate – The District**

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine to the total OPEB liability.

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Notes to the Basic Financial Statements

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(in thousands of dollars)

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

The components of the net OPEB liability at June 30, 2019, were as follows:

Total OPEB liability	\$ 4,935
Plan fiduciary net position	2,142
Net OPEB liability	<u>\$ 2,793</u>

Changes in Net OPEB liability:

<b>Total OPEB Liability</b>	
Service cost	\$ 120
Interest on liability and service cost	186
Experience (gain) and loss	1,939
Change in assumptions	294
Benefit payments	<u>(99)</u>
Net change in total OPEB liability	2,440
Total OPEB liability - beginning	<u>2,495</u>
Total OPEB liability - ending (a)	<u>\$ 4,935</u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 626
Investment income, net	28
Benefits payments	<u>(99)</u>
Net change in the plan fiduciary net position	555
Plan fiduciary net position - beginning	<u>1,587</u>
Plan fiduciary net position - ending(b)	<u>\$ 2,142</u>
 District's net OPEB liability (a) - (b)	 <u>\$ 2,793</u>

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

The following presents the net OPEB liability of the plan calculated using the discount rate of 7.25% as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate. The plan fiduciary net position as a percentage of the total OPEB liability is 43.41%.

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June 30, 2019

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	Discount Rate		
	1% decrease (6.25%)	No change (7.25%)	1% increase (8.25%)
Net OPEB liability	\$ 3,401	\$ 2,793	\$ 2,287

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

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

	Healthcare Trend		
	1% decrease	No Change	1% increase
Net OPEB liability	\$ 2,237	\$ 2,793	\$ 3,465

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$261. At June 30, 2019, the District reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,624	\$ 904
Changes in assumptions	246	1,482
Difference between expected and actual earnings on OPEB plan investments	-	23
Total	\$ 1,870	\$ 2,409

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

2020	\$	(45)
2021		(45)
2022		(45)
2023		(45)
2024		(39)
Thereafter		(320)
	\$	<u>(539)</u>

**(10) Accounts Receivable**

At June 30, 2019, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Governmental Funds			
Property taxes	\$ 17,239	(10,973)	6,266
Tax liens	3,030	(288)	2,742
Motor vehicle excise taxes	5,479	(3,132)	2,347
Special assessments	3,594	-	3,594
Departmental and other	5,511	(2,535)	2,976
	<u>34,853</u>	<u>(16,928)</u>	<u>17,925</u>
Intergovernmental	33,634	-	33,634
Total governmental funds	<u>68,487</u>	<u>(16,928)</u>	<u>51,559</u>
Fiduciary Fund			
Departmental and other	648	-	648
Intergovernmental	803	-	803
Total fiduciary funds	<u>1,451</u>	<u>-</u>	<u>1,451</u>
Total receivables	<u>\$ 69,938</u>	<u>(16,928)</u>	<u>53,010</u>

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At June, 30, 2019, receivables for the enterprise funds are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<u>Receivables:</u>			
Charges for services	\$ 14,600	-	14,600
Utility liens	1,828	-	1,828
Special assessments	1,416	-	1,416
	<u>17,844</u>	<u>-</u>	<u>17,844</u>
Intergovernmental	431	-	431
Total enterprise funds	\$ <u>18,275</u>	<u>-</u>	<u>18,275</u>

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-school construction reimbursement			
Intergovernmental (school construction)	\$ <u>12,704</u>	<u>-</u>	<u>12,704</u>
Unavailable revenue-property taxes			
Property taxes	4,466	-	4,466
Tax liens	2,742	-	2,742
	<u>7,208</u>	<u>-</u>	<u>7,208</u>
Unavailable revenue-other			
Special assessments	3,594	-	3,594
Departmental and other	1,602	1,374	2,976
Motor vehicle excise tax	1,214	-	1,214
Intergovernmental (other state)	1,275	-	1,275
	<u>7,685</u>	<u>1,374</u>	<u>9,059</u>
Total deferred inflows of resources	\$ <u>27,597</u>	<u>1,374</u>	<u>28,971</u>

The Commonwealth has approved school construction assistance to the City through the Massachusetts School Building Authority (MSBA). The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2019, \$5,662 of such assistance was received. Approximately \$15,135 will be received in future fiscal years. Of this amount, \$2,431 represents reimbursement of long-term interest costs, and \$12,704 represents reimbursement of approved construction costs. Accordingly, a \$12,704 intergovernmental receivable and corresponding deferred inflow of resources have been reported in the governmental funds financial statements. The deferred

**CITY OF WORCESTER, MASSACHUSETTS**

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inflow of resources has been recognized as revenue in the conversion to the government-wide financial statements.

**(11) Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

*Primary Government*

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 23,077	-	-	23,077
Construction in progress	<u>7,273</u>	<u>55,267</u>	-	<u>62,540</u>
Total capital assets not being depreciated	<u>30,350</u>	<u>55,267</u>	-	<u>85,617</u>
Capital assets, being depreciated:				
Buildings	796,568	11,655	-	808,223
Improvements other than buildings	216,217	6,627	-	222,844
Rolling equipment	35,607	6,850	-	42,457
Equipment and other	39,352	4,085	5,609	37,828
Infrastructure	<u>318,638</u>	<u>18,989</u>	-	<u>337,627</u>
	<u>1,406,382</u>	<u>48,206</u>	<u>5,609</u>	<u>1,448,979</u>
Less accumulated depreciation for:				
Buildings	327,991	25,405	-	353,396
Improvements other than buildings	36,453	10,879	-	47,332
Rolling equipment	29,334	2,207	-	31,541
Equipment and other	24,459	3,235	5,609	22,085
Infrastructure	<u>165,387</u>	<u>12,780</u>	-	<u>178,167</u>
	<u>583,624</u>	<u>54,506</u>	<u>5,609</u>	<u>632,521</u>
Total capital assets being depreciated, net	<u>822,758</u>	<u>(6,300)</u>	-	<u>816,458</u>
Governmental capital assets, net	\$ <u>853,108</u>	<u>48,967</u>	-	<u>902,075</u>

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

Governmental activities:	
General government	\$ 725
Public safety	2,679
Health and human services	306
Education	17,822
Public works	22,962
Culture and recreation	9,947
Community development	<u>65</u>
Total depreciation expense – governmental activities	\$ <u>54,506</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	\$ 7,181	651	-	7,832
Total capital assets, not being depreciated	<u>7,181</u>	<u>651</u>	<u>-</u>	<u>7,832</u>
Capital assets, being depreciated:				
Buildings	43,905	-	-	43,905
Rolling equipment	3,534	280	-	3,814
Infrastructure	173,749	5,859	-	179,608
Equipment and other	<u>1,661</u>	<u>2,263</u>	<u>-</u>	<u>3,924</u>
Total capital assets, being depreciated	<u>222,849</u>	<u>8,402</u>	<u>-</u>	<u>231,251</u>
Less accumulated depreciation for:				
Buildings	24,734	1,180	-	25,914
Rolling equipment	2,738	210	-	2,948
Infrastructure	90,715	6,340	-	97,055
Equipment and other	<u>714</u>	<u>364</u>	<u>-</u>	<u>1,078</u>
Total accumulated depreciation	<u>118,901</u>	<u>8,094</u>	<u>-</u>	<u>126,995</u>
Total capital assets, being depreciated, net	<u>103,948</u>	<u>308</u>	<u>-</u>	<u>104,256</u>
Water capital assets, net	<u>111,129</u>	<u>959</u>	<u>-</u>	<u>112,088</u>

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Notes to the Basic Financial Statements

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(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
Total capital assets, not being depreciated	<u>117</u>	<u>-</u>	<u>-</u>	<u>117</u>
Capital assets, being depreciated:				
Buildings	5,459	-	-	5,459
Rolling equipment	9,234	433	-	9,667
Infrastructure	242,872	23,333	-	266,205
Equipment and other	516	-	-	516
Total capital assets, being depreciated	<u>258,081</u>	<u>23,766</u>	<u>-</u>	<u>281,847</u>
Less accumulated depreciation for:				
Buildings	2,915	208	-	3,123
Rolling equipment	6,341	726	-	7,067
Infrastructure	117,674	9,926	-	127,600
Equipment and other	454	22	-	476
Total accumulated depreciation	<u>127,384</u>	<u>10,882</u>	<u>-</u>	<u>138,266</u>
Total capital assets, being depreciated, net	<u>130,697</u>	<u>12,884</u>	<u>-</u>	<u>143,581</u>
Sewer capital assets, net	<u>130,814</u>	<u>12,884</u>	<u>-</u>	<u>143,698</u>
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	1,547	-	1,547	-
Total capital assets, not being depreciated	<u>1,547</u>	<u>-</u>	<u>1,547</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	1,710	2,121	-	3,831
Total capital assets, being depreciated	<u>2,676</u>	<u>2,121</u>	<u>-</u>	<u>4,797</u>
Less accumulated depreciation for:				
Buildings	489	42	-	531
Infrastructure	1,160	119	-	1,279
Total accumulated depreciation	<u>1,649</u>	<u>161</u>	<u>-</u>	<u>1,810</u>
Total capital assets, being depreciated, net	<u>1,027</u>	<u>1,960</u>	<u>-</u>	<u>2,987</u>
Golf capital assets, net	<u>2,574</u>	<u>1,960</u>	<u>1,547</u>	<u>2,987</u>
Business-type activities capital assets, net	<u>\$ 244,517</u>	<u>15,803</u>	<u>1,547</u>	<u>258,773</u>

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Notes to the Basic Financial Statements

June 30, 2019

(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	23	-	725
Construction in progress	<u>12,227</u>	<u>19,234</u>	<u>-</u>	<u>31,461</u>
Total capital assets, not being depreciated	<u>12,929</u>	<u>19,257</u>	<u>-</u>	<u>32,186</u>
Capital assets, being depreciated:				
Treatment facilities	254,409	87	-	254,496
Equipment and other	<u>10,428</u>	<u>1,143</u>	<u>-</u>	<u>11,571</u>
Total capital assets, being depreciated	<u>264,837</u>	<u>1,230</u>	<u>-</u>	<u>266,067</u>
Less accumulated depreciation for:				
Treatment facilities	108,508	7,248	-	115,756
Equipment and other	<u>5,917</u>	<u>644</u>	<u>-</u>	<u>6,561</u>
Total accumulated depreciation	<u>114,425</u>	<u>7,892</u>	<u>-</u>	<u>122,317</u>
Total capital assets, being depreciated, net	<u>150,412</u>	<u>(6,662)</u>	<u>-</u>	<u>143,750</u>
The District's capital assets, net	\$ <u>163,341</u>	<u>12,595</u>	<u>-</u>	<u>175,936</u>
Discretely presented component units - WRA:				
Capital assets, not being depreciated				
Land	\$ 1,054	-	-	1,054
Construction in progress	<u>1,833</u>	<u>2,767</u>	<u>570</u>	<u>4,030</u>
Total capital assets, not being depreciated	<u>2,887</u>	<u>2,767</u>	<u>570</u>	<u>5,084</u>
Capital assets, being depreciated:				
Buildings	40,504	560	-	41,064
Equipment and other	<u>228</u>	<u>-</u>	<u>-</u>	<u>228</u>
Total capital assets, being depreciated	<u>40,732</u>	<u>560</u>	<u>-</u>	<u>41,292</u>
Less accumulated depreciation for:				
Buildings	17,079	1,053	-	18,132
Equipment and other	<u>142</u>	<u>7</u>	<u>-</u>	<u>149</u>
Total accumulated depreciation	<u>17,221</u>	<u>1,060</u>	<u>-</u>	<u>18,281</u>
Total capital assets, being depreciated, net	<u>23,511</u>	<u>(500)</u>	<u>-</u>	<u>23,011</u>
WRA capital assets, net	\$ <u>26,398</u>	<u>2,267</u>	<u>570</u>	<u>28,095</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

***Construction Commitments***

The City has active construction projects as of June 30, 2019. 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, 2019</u>	<u>Remaining commitment</u>
Building improvements	\$ 42,263	167,214
Infrastructure improvements	166,323	54,282
Land improvements	13,658	2,313
Total	\$ <u>222,244</u>	<u>223,809</u>

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

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

Net investment in capital assets at June 30, 2019 is summarized as follows:

***Governmental Activities***

Capital assets	\$ 1,534,596
Less accumulated depreciation	(632,521)
Less outstanding long-term debt (including capital leases)	(541,400)
Less outstanding temporary debt	(48,918)
Add outstanding debt that is not capital related	116,834
Add unspent proceeds of capital related debt	<u>40,880</u>
Net investment in capital assets	\$ <u>469,471</u>

***Business-Type Activities***

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 239,083	281,964	4,797	525,844
Less accumulated depreciation	(126,995)	(138,266)	(1,810)	(267,071)
Less outstanding long-term debt	(56,355)	(102,205)	(2,265)	(160,825)
Less outstanding temporary debt	(10,226)	(13,964)	(599)	(24,789)
Add unspent proceeds of capital related debt	<u>6,297</u>	<u>6,145</u>	<u>120</u>	<u>12,562</u>
Net investment in capital assets	\$ <u>51,804</u>	<u>33,674</u>	<u>243</u>	<u>85,721</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

**(13) Lease Obligations**

*(a) Capital Leases*

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of computer equipment for schools valued at \$1,930. The equipment has a five-year estimated useful life. This year, \$193 was included in depreciation expense. The net book value of the equipment is \$1,737. 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, 2019, were as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 480
2021	481
2022	480
2023	<u>481</u>
Total minimum lease payments	1,922
Less: amount representing interest	<u>(193)</u>
Present value of minimum lease payments	<u>\$ 1,729</u>

The portion of the capital lease that is due within one year is \$399 and amounts due in more than one year total \$1,330.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of computer equipment for schools valued at \$962. The equipment has a five-year estimated useful life. This year, \$96 was included in depreciation expense. The net book value of the equipment is \$866. 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, 2019, were as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2020	\$ 217
2021	217
2022	217
2023	216
2024	<u>108</u>
Total minimum lease payments	975
Less: amount representing interest	<u>(102)</u>
Present value of minimum lease payments	<u>\$ 873</u>

The portion of the capital lease that is due within one year is \$178 and amounts due in more than one year total \$695.

The City entered into a lease agreement in fiscal 2018 as lessee for financing the acquisition of computer equipment for schools valued at \$244. The equipment has a five-year estimated useful life. This year, \$24 was included in depreciation expense. The net book value of the equipment is \$171. 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, 2019, were as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ <u>84</u>
Total minimum lease payments	84
Less: amount representing interest	<u>(1)</u>
Present value of minimum lease payments	<u>\$ 83</u>

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

The City entered into a lease agreement in fiscal 2018 as lessee for financing the acquisition of computer equipment for schools valued at \$1,406. The equipment has a five-year estimated useful life. This year, \$281 was included in depreciation expense. The net book value of the equipment is \$984. 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, 2019, were as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2020	\$ 362
2021	<u>362</u>
Total minimum lease payments	724
Less: amount representing interest	<u>(13)</u>
Present value of minimum lease payments	<u>\$ 711</u>

The portion of the capital lease that is due within one year is \$354 and amounts due in more than one year total \$357.

The City entered into a lease agreement in fiscal 2015 as lessee for financing the acquisition of communication equipment for public safety valued at \$7,671. The equipment has a fifteen-year estimated useful life. This year, \$511 was included in depreciation expense. The net book value of the equipment is \$5,881. 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, 2019, were as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 695
2021	695
2022	695
2023	695
2024	695
2025 - 2030	<u>4,868</u>
Total minimum lease payments	8,343
Less: amount representing interest	<u>(1,745)</u>
Present value of minimum lease payments	<u>\$ 6,598</u>

The portion of the capital lease that is due within one year is \$443 and amounts due in more than one year total \$6,155.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of school buses valued at \$794. The equipment has a six-year estimated useful life. This year, \$66 was included in depreciation expense. The net book value of the equipment is \$728. 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.

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Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 147
2021	147
2022	147
2023	147
2024	<u>140</u>
Total minimum lease payments	728
Less: amount representing interest	<u>(77)</u>
Present value of minimum lease payments	<u>\$ 651</u>

The portion of the capital lease that is due within one year is \$122 and amounts due in more than one year total \$529.

The City entered into a lease agreement in fiscal 2019 as lessee for financing the acquisition of school buses valued at \$1,372. The equipment has a six-year estimated useful life. This year, \$114 was included in depreciation expense. The net book value of the equipment is \$1,258. 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, 2019, were as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 211
2021	211
2022	211
2023	212
2024	<u>480</u>
Total minimum lease payments	1,325
Less: amount representing interest	<u>(159)</u>
Present value of minimum lease payments	<u>\$ 1,166</u>

The portion of the capital lease that is due within one year is \$166 and amounts due in more than one year total \$1,000.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

**(b) Operating Leases**

The City currently conducts part of its student transportation operations from a leased facility and bus yard under a non-cancelable operating lease. Total costs for the lease was \$208 for the year ended June 30, 2019, including \$198 for the lease and \$10 for utilities and other. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ <u>198</u>
Total	\$ <u><u>198</u></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 \$57 for the year ended June 30, 2019.

Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ <u>58</u>
Total	\$ <u><u>58</u></u>

The City currently leases ten thousand square feet of premises for use as a public school facility. Total cost for the lease was \$210 for the year ended June 30, 2019. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 213
2021	<u>213</u>
Total	\$ <u><u>426</u></u>

The City currently leases premises for use of gymnasium and parking spaces by a public school under a non-cancelable operating lease. Total cost for the lease was \$48 for the year ended June 30, 2019. Future minimum lease payments for the lease are as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2020	49
Total	<u>\$ 49</u>

The City currently leases land for the purpose of installing and operating an emergency communications radio tower. The lease is for ten years with an option to extend for an additional ten years. Total costs for the lease was \$24 for the year ended June 30, 2019. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 24
2021	24
2022	24
2023	24
2024-25	48
Total minimum lease payments	<u>\$ 144</u>

The City leases office space for the use of the workforce career center. The initial term is a five-year operating lease with an option for a five-year extension. Total costs for the lease was \$289 for the year ended June 30, 2019. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 289
Total minimum lease payments	<u>\$ 289</u>

The City leases office space for the use of the workforce career center. The lease is for five years. Total costs for the lease was \$82 for the year ended June 30, 2019. Future minimum lease payments for the lease are as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	<u>Amount</u>
Year ending June 30:	
2020	\$ 82
2021	82
2022	<u>55</u>
Total minimum lease payments	\$ <u><u>219</u></u>

**(14) Long-Term Obligations**

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

*Governmental Activities*

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

	<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	\$ 206,517	21,510	24,067	203,960	23,604
Outside debt limit	299,010	49,208	24,307	323,911	23,695
Notes payable – HUD Sec 108	1,802	-	84	1,718	88
Capital lease payable	8,846	5,058	2,093	11,811	1,745
Judgments and claims	22,176	1,494	6,603	17,067	4,091
Compensated absences	13,536	10,132	9,185	14,483	9,726
Landfill closure and post closure care costs	12,286	-	610	11,676	1,000
Net pension liability	443,464	83,628	-	527,092	-
Total OPEB liability	786,866	113,498	-	900,364	-
Deferred amounts on bond premium	21,511	3,186	3,807	20,890	3,448
	\$ <u>1,816,014</u>	<u>287,714</u>	<u>70,756</u>	<u>2,032,972</u>	<u>67,397</u>

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

***Business-Type Activities***

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

	<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	\$ 9,966	870	1,469	9,367	1,037
Outside debt limit	135,468	20,672	9,445	146,695	9,253
MCWT notes payable	5,038	-	275	4,763	284
Judgments and claims	1,115	1,190	407	1,898	304
Compensated absences	756	598	613	741	607
Net pension liability	25,419	4,965	-	30,384	-
Total OPEB liability	15,844	2,434	-	18,278	-
Deferred amounts on bond premium	3,086	1,626	755	3,957	656
	<u>\$ 196,692</u>	<u>32,355</u>	<u>12,964</u>	<u>216,083</u>	<u>12,141</u>

On November 21, 2018 and January 30, 2019 the City issued \$31,355 and \$60,905, respectively for current projects. The proceeds consisted of \$70,718 for governmental activities and \$21,542 for business-type activities.

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

**General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and a pension funding loan in 1998. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 30 years. General obligation bonds of the primary government outstanding at June 30, 2019 are as follows:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

***Governmental Activities***

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2019
1998 General Obligation Bonds, Pension Funding Loan	\$ 220,979	6.25%	2028	\$ 111,950
2001 General Obligation Bonds	26,685	5.25% to 5.41%	2021	725
2002 General Obligation Bonds, Series A	18,365	4.00% to 5.00%	2023	2,094
2002 General Obligation Bonds, Series B	8,000	4.25% to 4.625%	2021	585
2003 General Obligation Bonds, Series C	17,670	3.30% to 4.00%	2024	1,336
2003 General Obligation Bonds, Series D	5,965	4.125% to 5.80%	2023	1,175
2004 General Obligation Bonds	43,110	4.50% to 5.25%	2025	7,960
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	4,643
2005 General Obligation Bonds, Series C	46,125	4.00% to 4.125%	2026	10,682
2006 General Obligation Bonds	29,090	4.00% to 4.25%	2027	3,538
2007 General Obligation Bonds	23,110	3.625% to 4.00%	2028	1,977
2010 General Obligation Bonds, Series A	19,850	3.00% to 4.25%	2036	3,038
2010 DCU Special Improvement District Bonds, Series B	5,050	5.75% to 6.75%	2035	320
2011 General Obligation School Bond	10,000	2.00%	2041	7,333
2011 General Obligation Refunding	7,585	2.50% to 3.00%	2022	1,327
2011 General Obligation Bonds, Series A	21,057	3.00% to 4.25%	2037	6,519
2011 General Obligation Bonds, Series B DCU Special District	1,005	3.75% to 5.00%	2029	804
2011 General Obligation Bonds, Series B Foley Stadium	961	3.75% to 5.00%	2029	285
2012 District Improvement Financing Bonds	6,485	3.00% to 5.00%	2040	6,290
2012 General Obligation Bonds	48,150	3.00% to 4.00%	2038	29,919
2013 General Obligation Refunding	3,016	3.00% to 5.00%	2024	1,251
2013 General Obligation Bonds	52,492	3.00% to 5.00%	2039	35,572
2014 General Obligation Bonds, Series A	27,609	3.00% to 5.00%	2040	17,764
2014 DCU Special Improvement District Bonds, Series B	13,979	3.125% to 4.25%	2039	12,355
2014 General Obligation Refunding Bonds, Series C	3,195	2.00% to 5.00%	2025	1,567
2014 General Obligation Refunding Bonds, Series A	4,212	2.00% to 5.00%	2040	2,477
2015 General Obligation Bonds, Series A	26,895	3.00% to 5.00%	2041	19,423
2015 General Obligation Bonds, Series B	17,386	2.95% to 5.00%	2033	16,598
2015 General Obligation Refunding Bonds, Series C	9,439	2.00% to 5.00%	2027	6,245
2016 General Obligation Bonds, Series A	38,677	3.00% to 5.00%	2042	32,869
2016 General Obligation Refunding Bonds, Series B	8,892	3.00% to 5.00%	2028	7,080
2017 General Obligation Refunding Bonds (Aug. 2017)	13,038	2.125% to 5.00%	2037	12,135
2017 General Obligation Refunding Bonds (Nov. 2017)	10,195	2.25% to 5.00%	2036	10,194
2018 General Obligation Bonds, Series A	55,824	3.125% to 5.00%	2043	51,303
2018 General Obligation Bonds, Series B	28,545	3.25% to 4.00%	2043	27,820
2018 General Obligation Ballpark Project Bonds	31,355	3.525% to 4.750%	2049	31,355
2019 General Obligation Bonds	39,363	3.0% to 5.0%	2044	39,363
Total governmental activities general obligation bonds				\$ <u>527,871</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

***Business-Type Activities***

Purpose/Type	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2019
2002 General Obligation Bonds, Series A	7,325	4.00% to 5.00%	2023	\$ 1,826
2003 General Obligation Bonds, Series C	7,945	3.30% to 4.00%	2024	14
2005 General Obligation Refunding Bonds, Series A	34,067	4.05% to 5.00%	2021	747
2005 General Obligation Refunding Bonds, Series B	22,198	5.00%	2019	-
2005 General Obligation Bonds, Series C	11,550	4.00% to 4.125%	2026	8
2006 General Obligation Bonds	17,680	4.00% to 4.25%	2027	37
2007 General Obligation Bonds	15,987	3.625% to 4.00%	2028	23
2010 General Obligation Bonds, Series A	12,805	3.00% to 4.25%	2036	1,752
2011 General Obligation Refunding	9,170	2.50% to 3.00%	2022	1,033
2011 General Obligation Bonds, Series A	10,240	3.00% to 4.25%	2037	1,932
2012 General Obligation Bonds	23,983	3.00% to 4.00%	2038	17,966
2013 General Obligation Refunding	3,444	3.00% to 5.00%	2024	1,829
2013 General Obligation Bonds	14,995	3.00% to 5.00%	2039	12,189
2014 General Obligation Bonds, Series A	18,420	2.00% to 5.00%	2040	14,992
2014 General Obligation Refunding Bonds Series C	3,575	2.00% to 5.00%	2025	6,663
2014 General Obligation Refunding Bonds, Series A	9,248	2.00% to 5.00%	2040	2,228
2015 General Obligation Bonds, Series A	14,598	3.00% to 5.00%	2041	12,199
2015 General Obligation Refunding Bonds, Series C	11,216	2.00% to 5.00%	2027	8,660
2016 General Obligation Bonds, Series A	17,097	3.00% to 5.00%	2042	15,656
2016 General Obligation Refunding Bonds, Series B	6,198	3.00% to 5.00%	2028	5,320
2017 General Obligation Refunding Bonds (Aug. 2017)	6,362	2.125% to 5.00%	2037	5,765
2017 General Obligation Refunding Bonds (Nov. 2017)	11,440	2.25% to 5.00%	2036	11,440
2018 General Obligation Bonds, Series A	12,886	3.125% to 5.00%	2043	12,241
2019 General Obligation Bonds	21,542	3.0% to 5.0%	2044	21,542
Total business-type activities general obligation bonds				\$ <u>156,062</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 \$1,718. The City also has loan agreements with the Massachusetts Clean Water Trust (MCWT) to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of \$4,763.

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

	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2019
2015 - A series loan	\$ 2,030	2.635% to 2.85%	2025	\$ <u>1,718</u>
				\$ <u>1,718</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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

	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2019
2006 clean water loan to sewer fund	\$ 949	4.90%	2024	\$ 344
2014 clean water loan to sewer fund	851	2.00%	2033	659
2015 clean water loan to sewer fund	562	2.00%	2035	468
2016 clean water loan to sewer fund	1,048	2.00%	2036	918
2017 clean water loan to sewer fund	2,671	2.00%	2037	2,374
				<u>\$ 4,763</u>

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

Bond indebtedness outstanding at June 30, 2019 matures as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>			
	<b>Governmental Funds</b>		<b>Water</b>		<b>Sewer</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:						
2020	\$ 47,299	23,533	4,639	2,179	5,397	3,652
2021	45,438	21,335	4,488	1,990	5,530	3,425
2022	40,654	19,163	4,228	1,791	5,310	3,169
2023	39,600	17,165	4,081	1,600	5,356	2,927
2024	38,942	15,226	3,943	1,414	5,094	2,687
2025-2029	160,227	49,374	14,398	4,902	23,205	10,452
2030-2034	66,792	24,217	8,660	2,961	19,267	6,858
2035-2039	48,146	13,485	8,663	1,431	19,752	3,407
2040-2044	24,773	6,216	3,255	276	8,531	711
2045-2049	16,000	2,514	-	-	-	-
	<u>\$ 527,871</u>	<u>192,228</u>	<u>56,355</u>	<u>18,544</u>	<u>97,442</u>	<u>37,288</u>

	<b>Business-type activities</b>		<b>Business-type</b>	
	<b>Golf course (nonmajor)</b>		<b>activities totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2020	\$ 253	92	10,289	5,923
2021	157	84	10,175	5,499
2022	151	77	9,689	5,037
2023	157	69	9,594	4,596
2024	160	62	9,197	4,163
2025-2029	787	198	38,390	15,552
2030-2034	493	58	28,420	9,877
2035-2039	75	12	28,490	4,850
2040-2044	32	2	11,818	989
2045-2049	-	-	-	-
	<u>\$ 2,265</u>	<u>654</u>	<u>156,062</u>	<u>56,486</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MCWT loans as of June 30, 2019 are as follows:

		<u>Governmental activities</u>					
		<u>General fund</u>					
		<u>Principal</u>	<u>Interest</u>				
Year ending June 30:							
2020	\$	88	46				
2021		92	44				
2022		97	42				
2023		102	39				
2024		107	37				
2025-2029		1,232	17				
	\$	<u>1,718</u>	<u>225</u>				
		<u>Business-type activities</u>					
		<u>Sewer</u>				<u>Business-type</u>	
				<u>Anticipated subsidy</u>		<u>activities totals (net)</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:							
2020	\$	284	90	-	10	284	80
2021		289	86	1	9	288	77
2022		299	82	2	6	297	76
2023		308	80	4	4	304	76
2024		313	77	5	-	308	77
2025-2029		1,278	281	-	-	1,278	281
2030-2034		1,369	145	-	-	1,369	145
2035-2038		623	24	-	-	623	24
	\$	<u>4,763</u>	<u>865</u>	<u>12</u>	<u>29</u>	<u>4,751</u>	<u>836</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

**(d) Authorized and Unissued Debt**

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

Authorized and unissued debt at June 30, 2019 is as follows:

Inside debt limit:

Building rehabilitation	\$	71,903
Off-street parking		45,081
Parks improvements		39,326
Street and sidewalk construction		38,261
ESCO building projects		29,828
Departmental equipment		17,554
Other redevelopment		5,936
Sewer reconstruction		4,549
Wayfinding		3,000
Other		3,010
Total inside debt limit		<u>258,448</u>

Outside debt limit:

South High School		199,146
Sewer		87,520
Water		80,170
Ballpark construction		69,485
School construction other		38,799
Nelson Place Elementary		37,240
DCU Center improvements		22,028
CitySquare		21,077
Other		1,070
Total outside debt limit		<u>556,535</u>
Total inside and outside debt limit	\$	<u>814,983</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

At June 30, 2019, in addition to debt authorized but unissued, the City may issue \$195,048 of additional inside debt under the normal debt (5%) limit. The City had \$470,606 of outstanding debt exempt from or outside the debt limit.

**(e) Outstanding Defeased Debt**

Proceeds of the advanced refunding bonds issued in prior years will be used to defease certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2019, \$31,430 of bonds outstanding is considered defeased.

**(f) 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 AA3.

The District's long-term obligations consisted of the following at June 30, 2019:

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.	\$	70
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.		65
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.		30,739
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.		4,046
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.		17,851
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%.		870
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.		8,582

(continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

(continued)

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.	17,174
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.	17,446
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.	5,815
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.	14,794
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.	2,885
2016 General Obligation refunding Bonds payable in varying principal amounts starting March 15, 2017 until March 15, 2023 with interest at 5.00%.	2,715
2016 General Obligation refunding Bonds payable in varying principal amounts starting May 1, 2019 until May 1, 2028 at an average coupon rate of 2.331%.	4,540
2016 General Obligation Bonds payable in varying principal amounts starting May 1, 2017 until May 1, 2036 at an average coupon rate of 2.782%.	4,370
2019 General Obligation Bonds issued to the Massachusetts Clean Water Trust. The bonds are payable on varying annual installments with interest at 2.00% with a final payment due January 15, 2038.	8,484
Total bonds payable	<u>140,446</u>
Unamortized bond premiums	1,325
Net pension liability	8,297
Net OPEB liability	2,793
Accrued sick leave	263
Total long-term obligations	<u>153,124</u>
Less portion due within one year	<u>(8,266)</u>
Amount due in more than one year	<u>\$ 144,858</u>

As part of the borrowing arrangements with the Massachusetts Clean Water Trust, a political subdivision of the Commonwealth of Massachusetts, the Trust will grant, if funds are available, a loan subsidy to reduce actual repayment of debt. The trust granted loan subsidies for the year ended June 30, 2019 in the amount of \$665; with subsidies of principal totaling \$28 and interest subsidies totaling \$637.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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

	<u>Gross payments</u>			<u>Anticipated subsidy</u>	<u>Net payments</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
Year ending June 30:					
2020	\$ 8,037	3,990	12,027	652	11,375
2021	7,302	3,746	11,048	611	10,437
2022	7,483	3,513	10,996	578	10,418
2023	7,697	3,285	10,982	559	10,423
2024	7,158	3,052	10,210	539	9,671
2025-2029	38,242	11,693	49,935	2,421	47,514
2030-2034	39,535	5,568	45,103	1,823	43,280
2035-2039	22,335	1,372	23,707	322	23,385
2040-2041	2,657	64	2,721	-	2,721
	<u>\$ 140,446</u>	<u>36,283</u>	<u>176,729</u>	<u>7,505</u>	<u>169,224</u>

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

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

Details related to notes payable to the City at June 30, 2019, are as follows:

<u>Project</u>	<u>Outstanding at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding at June 30, 2019</u>
Union Station - Building Fit Out	\$ 3,578	512	-	4,090
Union Station - Operating	6,398	809	-	7,207
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Urban renewal	285	49	-	334
Total	<u>\$ 10,824</u>	<u>1,370</u>	<u>-</u>	<u>12,194</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(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>
2020	\$ 10,819	3,650	14,469
2021	<u>1,375</u>	<u>163</u>	<u>1,538</u>
Total	<u>\$ 12,194</u>	<u>3,813</u>	<u>16,007</u>

In addition to notes payable of \$12,194, the WRA also has accrued interest payable due in fiscal year 2021 of \$78 and due to City of Worcester – ballpark assets of \$13,460, for total noncurrent liabilities of \$25,732.

**(15) Temporary Borrowings**

*(a) Primary Government*

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

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

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures/expenses on temporary borrowings for the year ended June 30, 2019 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$2,019.

At June 30, 2019, BANS totaling \$73,708 with interest rates of 2.75% to 4.00% and maturing February 13, 2020 were outstanding. The following is a summary of changes in temporary loans:

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

	<b>Outstanding as of June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2019</b>
Bond anticipation notes payable:				
General	\$ 45,452	48,918	45,452	48,918
Water	8,585	10,227	8,585	10,227
Sewer	12,713	13,964	12,713	13,964
Golf	1,042	599	1,042	599
Total	<u>\$ 67,792</u>	<u>73,708</u>	<u>67,792</u>	<u>73,708</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, 2019 was as follows:

	<b>Outstanding as of June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2019</b>
Massachusetts Clean Water Trust Interim Loan \$	-	14,859	-	14,859
Bond Anticipation Note	<u>4,350</u>	<u>4,350</u>	<u>4,350</u>	<u>4,350</u>
Bond Anticipation Note \$	<u>4,350</u>	<u>19,209</u>	<u>4,350</u>	<u>19,209</u>

The District's bond anticipation note payable is due December 13, 2019 and bears at 2.75%. The Massachusetts Clean Water Trust Interim Loan with interest at 0% will become a bond on October 22, 2019.

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

At June 30, 2019, there was a receivable and payable between the general fund and nonmajor governmental funds in the amounts of \$7,785.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

Transfers and their purposes during the year ended June 30, 2019 were as follows:

	Governmental Funds			Proprietary Funds		
	General Fund	Debt Service Fund	Other Gov't'al Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget						
General fund - to fund debt payments	\$ (14,785)	14,785	-	-	-	-
Debt service fund - to promote tourism	500	(500)	-	-	-	-
Chapter 90 - to fund DPW engineering and street ops.	521	-	(521)	-	-	-
General fund - tax levy subsidy of golf fund	(200)	-	-	-	-	200
Special revenue fund sewer connection fees to fund DPW	119	-	(119)	-	-	-
Trust fund to general fund for cemetery debt service	59	-	(59)	-	-	-
Golf fund - to fund pension obligation bonds	20	-	-	-	-	(20)
Sewer fund - to fund pension obligation bonds	554	-	-	-	(554)	-
Water fund - to fund pension obligation bonds	769	-	-	(769)	-	-
Sub-total	(12,443)	14,285	(699)	(769)	(554)	180
Subsequent transfers:						
General fund - to fund debt payments	(9)	9	-	-	-	-
General fund - to special revenue city grants to repay home grant	(143)	-	143	-	-	-
Special revenue home reserve to city grants	-	-	36	-	-	-
Special revenue home reserve to city grants	-	-	(36)	-	-	-
General fund - to fund golf operations	(178)	-	-	-	-	178
Insurance settlement fund - fire and park vehicles	21	-	(21)	-	-	-
Premium on loans to fund bond issuance costs	569	-	(569)	-	-	-
Reclassify temp. loan from water to capital projects	-	-	348	(348)	-	-
Special revenue wetlands fund to general fund for ec. dev.	1	-	(1)	-	-	-
Special revenue PEG access reserved receipt for appropriation to city and school grant funds	-	-	2,298	-	-	-
Special revenue PEG access reserved receipt for appropriation to city and school grant funds	-	-	(2,298)	-	-	-
Parking receipts to fund off-street parking	-	-	4,380	-	-	-
Parking receipts to fund off-street parking	-	-	(4,380)	-	-	-
Special revenue ESCO fund to capital project for temp. loan	-	-	2,491	-	-	-
Special revenue ESCO fund to capital project for temp. loan	-	-	(2,491)	-	-	-
Special revenue real estate sales to capital projects for Canterbury Street School library	-	-	25	-	-	-
Special revenue real estate sales to capital projects for Canterbury Street School library	-	-	(25)	-	-	-
Special revenue Greenwood St. reserve to capital projects for Blackstone Gateway park	-	-	200	-	-	-
Special revenue Greenwood St. reserve to capital projects for Blackstone Gateway park	-	-	(200)	-	-	-
Special revenue real estate sales to capital projects for Lake View playground	-	-	75	-	-	-
Special revenue real estate sales to capital projects for Lake View playground	-	-	(75)	-	-	-
Transfer among capital project nonmajor funds	-	-	224	-	-	-
Transfer among capital project nonmajor funds	-	-	(224)	-	-	-
Transfer water capital project to other capital project	-	-	150	(150)	-	-
Transfer other capital project to sewer capital project	-	-	(50)	-	50	-
Transfer from special revenue fund, sewer connection fees to sewer for operations	-	-	(155)	-	155	-
Transfer from special revenue fund, sewer connection fees to sewer for capital outlays	-	-	(115)	-	115	-
Greenwood St reserve to school donation	-	-	2	-	-	-
Greenwood St reserve to school donation	-	-	(2)	-	-	-
Greenwood St reserve-environmental monitoring	-	-	180	-	-	-
Greenwood St reserve-environmental monitoring	-	-	(180)	-	-	-
Transfer from spendable trust funds for expenditures	-	-	196	-	-	-
Transfer from spendable trust funds for expenditures	-	-	(196)	-	-	-
Total transfers, net	\$ (12,182)	14,294	(969)	(1,267)	(234)	358

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

#### **(17) 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. In fiscal 2016, the District completed a Nutrient Facilities Plan and the City of Worcester submitted an Integrated Planning Report for Wet Weather Management. Based on the findings of these studies, the District proposed AOC modifications that were accepted by EPA in fiscal 2017. The revised plan includes a three-phase Nutrient Upgrade project for compliance with NPDES limits for all *dry-weather* flows extending to 2027, and the possibility to adjust the AOC schedule as part of the overall City of Worcester Integrated Water Resources Management Plan (IP). The first of the three-phase projects, Phase A, with a cost of approximately \$25,000, was put into operation in fiscal 2019. Design of the second project, Phase B, was completed this fiscal year. Phase B construction is scheduled to begin in 2021. The total cost of the upgrades for nutrient facilities was estimated in the Nutrient Facilities Plan at \$140,000 to \$160,000. The outcome of the Worcester IP is scheduled to be submitted to EPA in fall of 2019.

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

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

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

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice (BCBS) and BCBS Medex as well as Fallon Direct, Advantage and Senior plans and Tufts Medicare preferred and supplementary plans. The partially self-insured BCBS, Fallon, Tufts supplementary and Medex plans are paid through an established internal service fund based on total claims, while the Tufts Medicare Preferred plan is based on premiums. Specific stop loss insurance is purchased for claims that exceed \$250 for each participating member of the self-insured health plans. 25% employee contributions are made. The remainder of such costs is funded by the City. The City offers \$5 of term life insurance benefits to its employees and pays 50% of the premiums. The City also provides health and life insurance benefits to certain retirees, as discussed in note 8.

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Health claims, beginning of year	\$ 5,185	3,375
Incurred claims	98,195	90,723
Payments of claims attributable to events of the current and prior fiscal years	<u>(95,924)</u>	<u>(88,913)</u>
Health claims, end of year	<u>\$ 7,456</u>	<u>5,185</u>

Changes in judgments and claims liability for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Judgments and claims, beginning of year	\$ 23,291	14,827
Additions to estimated claims liability	2,684	14,224
Payments of claims attributable to events of the current and prior fiscal years, and reductions to previous estimated liabilities:		
Court judgments and legal settlements	(2,325)	(2,449)
Workers' compensation	<u>(4,685)</u>	<u>(3,311)</u>
Judgments and claims, end of year	<u>\$ 18,965</u>	<u>23,291</u>

Judgments and claims consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Workers' compensation	\$ 8,265	11,316
Court judgments and legal settlements	<u>10,700</u>	<u>11,975</u>
	<u>\$ 18,965</u>	<u>23,291</u>

The fiscal 2019 liability for judgments and claims consist of governmental and business-type activities in the amount of \$17,067 and \$1,898, respectively.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The liability for workers' compensation is reported at a net present value using a discount rate of 5.5%.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

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

**(19) Fund Balances**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Permanent fund principal.....	\$ -	-	16,022	16,022
<b>Restricted:</b>				
OPEB reserve fund.....	17,430	-	-	17,430
DCU Center operations.....	-	-	455	455
School lunch.....	-	-	2,747	2,747
Off-street parking.....	-	-	1,426	1,426
City revolving funds.....	-	-	7,448	7,448
School grants.....	-	-	5,866	5,866
School revolving funds.....	-	-	3,588	3,588
Community development.....	-	-	85	85
MassHire Central Region Workforce.....	-	-	1,689	1,689
City grants.....	-	-	8,333	8,333
Capital.....	-	-	17,934	17,934
Permanent fund expendable.....	-	-	5,747	5,747
Sub-total - Restricted.....	<u>17,430</u>	<u>-</u>	<u>55,318</u>	<u>72,748</u>
<b>Committed:</b>				
Debt service.....	-	20,980	-	20,980
Receipts reserved.....	-	-	24,821	24,821
Sub-total - Committed.....	<u>-</u>	<u>20,980</u>	<u>24,821</u>	<u>45,801</u>
<b>Unassigned.....</b>	<u>47,971</u>	<u>-</u>	<u>(36,013)</u>	<u>11,958</u>
Total fund balances.....	\$ <u>65,401</u>	<u>20,980</u>	<u>60,148</u>	<u>146,529</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

**(20) Fund Deficits**

The following funds had deficits at June 30, 2019. These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

Nonmajor Funds

**Capital Projects Funds:**

DCU Center construction	\$	898
Street and sidewalk		6,198
Capital equipment		2,168
Rehab of public building		11,805
School construction		11,924
Parks improvements		2,444

**Special Revenue Funds:**

Police auxiliary	\$	576
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**Proprietary Funds:**

Golf course enterprise		727
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**(21) Tax Abatements**

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

Worcester negotiates property tax abatement agreements on an individual basis. As of June 30, 2019, Worcester had tax abatement agreements with twenty-six entities with eighteen of those entities receiving abatements in fiscal year 2019 and eight entities whose abatement will begin after fiscal year 2019 upon completion of the projects. The City's policy is to disclose individual tax abatement agreements in which the amount abated in fiscal year 2019 exceeded 10% of the total abatements made by the City in fiscal year 2019. In fiscal year 2019, Worcester abated property taxes totaling \$3,873. Detailed below are the tax abatement agreements that each exceed 10% of the total amount abated:

- 1 Mercantile St – an 85% property tax abatement to an insurance company for constructing a 198,974 square foot office building and relocate approximately 600 full-time employees. The abatement totals \$738, which accounts for 19% of total abatements in fiscal year 2019. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's Economic Opportunity Area approved by the Economic Assistance Coordinating Council (EACC).
- 125 Front St – a 64% property tax abatement given to a company for constructing a 34,000 square foot 200 room hotel in downtown and 100 full-time jobs. The abatement totals \$626,

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2019

(in thousands of dollars)

which accounts for 16% of total abatements in fiscal 2019. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EACC.

- 35 Major Taylor – a 48% property tax abatement given to a company for constructing a 34,000 square foot 200 room hotel in downtown and 100 full-time jobs. The abatement totals \$480, which accounts for 12% of total abatements in fiscal 2019. The agreement is governed by the EDIP and the recipient meets the criteria as the site is within the City's EACC.

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

On December 12, 2014, the WRA and City entered into a Cooperation Agreement (Agreement) concerning an urban renewal/downtown urban revitalization plan. Pursuant to the Agreement and vote of the WRA on December 21, 2018, the WRA and City executed an amendment to the Agreement whereby the City has agreed to provide the WRA \$94,500 for the purpose of implementing and financing the construction of a multi-purpose, publicly owned, Triple-A professional baseball ballpark (ballpark) to serve as the home ballpark of the Triple-A affiliated professional baseball franchise operated by the Pawtucket Red Sox Baseball Club, LLC.

Upon completion of the construction of the ballpark, the ballpark will be owned and operated by the City. During fiscal year 2019, the City provided the WRA \$14,193 to finance costs associated with the ballpark. Of this amount, the WRA spent \$13,460 during fiscal year 2019. The \$13,460 is reported as Assets Held for City of Worcester – Ballpark (asset) and Due to City of Worcester – Ballpark Assets (liability) by WRA in the Statement of Net Position. The \$733 of unspent funds as of June 30, 2019 are reported as Advances from City of Worcester – Ballpark (liability) by WRA in the Statement of Net Position.

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

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 299,069,846	299,260,736	297,014,365	(2,246,371)
Motor vehicle excise taxes	15,600,000	15,600,000	16,576,408	976,408
Penalties and interest on taxes:				
Property taxes	749,096	749,096	903,310	154,214
Tax titles	46,926	46,926	83,970	37,044
Motor vehicle excise	1,060,487	1,060,487	1,153,667	93,180
Special assessments	168,491	168,491	187,572	19,081
	<u>2,025,000</u>	<u>2,025,000</u>	<u>2,328,519</u>	<u>303,519</u>
Other taxes and in-lieu payments:				
In lieu of taxes	725,000	725,000	604,965	(120,035)
Special assessments	450,000	450,000	564,136	114,136
Meals tax	2,790,422	2,790,422	3,155,693	365,271
Hotel/motel tax	1,159,578	1,159,578	1,786,762	627,184
	<u>5,125,000</u>	<u>5,125,000</u>	<u>6,111,556</u>	<u>986,556</u>
Licenses and permits:				
Clerk	237,010	237,010	273,075	36,065
Inspectional Services	4,359,113	4,359,113	4,316,737	(42,376)
Fire	234,607	234,607	243,175	8,568
Health	624,851	624,851	645,565	20,714
License Commission:				
Liquor & common victualer	850,000	850,000	837,730	(12,270)
Other	64,819	64,819	76,567	11,748
Police	100,828	100,828	97,100	(3,728)
Public Works	228,772	228,772	246,199	17,427
	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,736,148</u>	<u>36,148</u>
Intergovernmental:				
State local aid	297,255,473	300,450,582	300,984,166	533,584
State school construction aid	5,662,268	5,662,268	5,662,261	(7)
State school busing assistance	-	-	251,801	251,801
School based Federal Medicaid	3,832,966	3,832,966	3,642,052	(190,914)
Federal indirect cost reimbursements	681,943	681,943	911,742	229,799
	<u>307,432,650</u>	<u>310,627,759</u>	<u>311,452,022</u>	<u>824,263</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fines and forfeitures:				
Parking fines	\$ 1,700,000	1,700,000	1,712,574	12,574
Court fines	950,000	950,000	675,013	(274,987)
	<u>2,650,000</u>	<u>2,650,000</u>	<u>2,387,587</u>	<u>(262,413)</u>
Investment earnings	<u>1,100,000</u>	<u>1,100,000</u>	<u>3,471,180</u>	<u>2,371,180</u>
Charges for services:				
Airport land lease	80,000	80,000	108,333	28,333
Assessor	5,978	5,978	7,811	1,833
Cable TV	-	-	550	550
Clerk	511,784	511,784	638,499	126,715
Communications	330	330	390	60
Elder Affairs	67,141	67,141	77,281	10,140
Fire	276,507	276,507	278,861	2,354
Health	13,600	13,600	13,142	(458)
Hope Cemetery	450,000	450,000	408,248	(41,752)
Library	41,645	41,645	43,811	2,166
Marijuana Host Agreement Fees	480,000	480,000	1,160,000	680,000
Parks	80,776	80,776	56,756	(24,020)
Planning	111,954	111,954	143,679	31,725
Police	585,902	585,902	744,153	158,251
Public Works	1,720	1,720	12	(1,708)
Records Request	1,513	1,513	1,435	(78)
Contracted towing revenue	300,000	300,000	238,628	(61,372)
Schools	11,568	11,568	8,885	(2,683)
Trailer coach park	2,521	2,521	2,978	457
Trash bags	3,100,000	3,100,000	3,329,178	229,178
Treasurer	17,837	17,837	14,688	(3,149)
	<u>6,140,776</u>	<u>6,140,776</u>	<u>7,277,318</u>	<u>1,136,542</u>
Miscellaneous	<u>3,317,100</u>	<u>3,317,100</u>	<u>4,908,622</u>	<u>1,591,522</u>
<b>Total revenues</b>	<u><b>649,160,372</b></u>	<u><b>652,546,371</b></u>	<u><b>658,263,725</b></u>	<u><b>5,717,354</b></u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government:				
Council:				
Salaries	\$ 360,098	383,433	353,632	29,801
Ordinary maintenance	24,300	24,300	23,061	1,239
	<u>384,398</u>	<u>407,733</u>	<u>376,693</u>	<u>31,040</u>
Mayor's staff:				
Salaries	128,087	131,958	131,958	-
Ordinary maintenance	10,700	10,700	9,895	805
	<u>138,787</u>	<u>142,658</u>	<u>141,853</u>	<u>805</u>
City Manager:				
Salaries	1,043,193	1,073,194	1,072,215	979
Ordinary maintenance	158,850	173,839	136,220	37,619
Capital outlay	-	40,000	37,384	2,616
	<u>1,202,043</u>	<u>1,287,033</u>	<u>1,245,819</u>	<u>41,214</u>
Economic Development:				
Salaries	1,705,204	1,380,204	1,360,419	19,785
Ordinary maintenance	430,585	258,754	166,061	92,693
Capital outlay	-	2,970	2,970	-
	<u>2,135,789</u>	<u>1,641,928</u>	<u>1,529,450</u>	<u>112,478</u>
Promotion of Tourism:				
Ordinary maintenance	500,000	500,000	500,000	-
	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Auditor:				
Salaries and overtime	508,685	508,684	504,241	4,443
Ordinary maintenance	92,030	92,030	91,261	769
	<u>600,715</u>	<u>600,714</u>	<u>595,502</u>	<u>5,212</u>
Administration & Finance:				
Salaries	581,554	660,054	648,087	11,967
Ordinary maintenance	42,738	29,238	27,993	1,245
	<u>624,292</u>	<u>689,292</u>	<u>676,080</u>	<u>13,212</u>
Treasurer and Collector:				
Salaries and overtime	1,068,498	1,144,498	1,124,714	19,784
Ordinary maintenance	710,778	1,279,765	1,259,477	20,288
	<u>1,779,276</u>	<u>2,424,263</u>	<u>2,384,191</u>	<u>40,072</u>
Assessor:				
Salaries and overtime	604,385	504,385	494,947	9,438
Ordinary maintenance	156,700	156,700	155,636	1,064
	<u>761,085</u>	<u>661,085</u>	<u>650,583</u>	<u>10,502</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Law:	\$			
Salaries	1,009,766	990,766	982,957	7,809
Ordinary maintenance	170,450	170,450	146,229	24,221
Casualty insurance	138,448	138,448	128,603	9,845
Court judgments	2,990,000	3,233,000	3,212,050	20,950
	<u>4,308,664</u>	<u>4,532,664</u>	<u>4,469,839</u>	<u>62,825</u>
City Clerk:				
Salaries and overtime	593,666	583,666	581,734	1,932
Ordinary maintenance	46,025	46,025	45,910	115
	<u>639,691</u>	<u>629,691</u>	<u>627,644</u>	<u>2,047</u>
Energy & Asset Management:				
Salaries and overtime	380,567	495,837	465,141	30,696
Ordinary maintenance	1,031,374	1,031,374	993,340	38,034
	<u>1,411,941</u>	<u>1,527,211</u>	<u>1,458,481</u>	<u>68,730</u>
Election Commission:				
Salaries and overtime	577,908	557,908	556,080	1,828
Ordinary maintenance	140,725	138,165	137,281	884
Capital outlay	-	2,560	2,185	375
	<u>718,633</u>	<u>698,633</u>	<u>695,546</u>	<u>3,087</u>
Purchasing:				
Salaries	224,272	224,272	214,120	10,152
Ordinary maintenance	15,236	15,236	12,878	2,358
	<u>239,508</u>	<u>239,508</u>	<u>226,998</u>	<u>12,510</u>
Technical services:				
Salaries and overtime	2,609,400	2,549,400	2,409,737	139,663
Ordinary maintenance	1,646,185	1,952,135	1,941,070	11,065
Capital outlay	-	200,000	199,616	384
	<u>4,255,585</u>	<u>4,701,535</u>	<u>4,550,423</u>	<u>151,112</u>
Human Resources:				
Salaries and overtime	1,013,711	954,711	954,284	427
Ordinary maintenance	373,408	428,408	424,504	3,904
	<u>1,387,119</u>	<u>1,383,119</u>	<u>1,378,788</u>	<u>4,331</u>
Total general government	<u>21,087,526</u>	<u>22,067,067</u>	<u>21,507,890</u>	<u>559,177</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Salaries and overtime	\$ 46,638,390	48,846,390	48,845,165	1,225
Ordinary maintenance	2,767,350	2,742,350	2,717,106	25,244
Capital outlay	80,000	93,030	92,325	705
	<u>49,485,740</u>	<u>51,681,770</u>	<u>51,654,596</u>	<u>27,174</u>
Fire:				
Salaries and overtime	38,696,249	38,217,539	37,908,184	309,355
Ordinary maintenance	1,335,998	1,650,138	1,646,846	3,292
Capital outlay	40,000	257,608	221,452	36,156
	<u>40,072,247</u>	<u>40,125,285</u>	<u>39,776,482</u>	<u>348,803</u>
Inspectional services:				
Salaries and overtime	3,545,646	3,350,646	3,318,013	32,633
Ordinary maintenance	292,828	337,828	322,760	15,068
	<u>3,838,474</u>	<u>3,688,474</u>	<u>3,640,773</u>	<u>47,701</u>
Communications:				
Salaries and overtime	2,321,200	1,569,200	1,456,609	112,591
Ordinary maintenance	1,105,768	1,171,768	1,164,240	7,528
	<u>3,426,968</u>	<u>2,740,968</u>	<u>2,620,849</u>	<u>120,119</u>
Total public safety	<u>96,823,429</u>	<u>98,236,497</u>	<u>97,692,700</u>	<u>543,797</u>
Health and human services:				
Public Health				
Salaries and overtime	520,667	548,667	479,879	68,788
Ordinary maintenance	69,500	74,500	68,773	5,727
	<u>590,167</u>	<u>623,167</u>	<u>548,652</u>	<u>74,515</u>
Health and Human Services				
Salaries	775,552	798,508	793,135	5,373
Ordinary maintenance	2,226,691	2,216,546	1,813,592	402,954
Capital outlay	-	3,760	1,880	1,880
	<u>3,002,243</u>	<u>3,018,814</u>	<u>2,608,607</u>	<u>410,207</u>
Elder Affairs:				
Salaries	385,254	386,254	386,172	82
Ordinary maintenance	159,890	158,890	149,192	9,698
	<u>545,144</u>	<u>545,144</u>	<u>535,364</u>	<u>9,780</u>
Workforce Development Board:				
Salaries	-	49,221	49,218	3
Ordinary maintenance	200,000	150,779	150,779	-
	<u>200,000</u>	<u>200,000</u>	<u>199,997</u>	<u>3</u>
Total health and human services	<u>4,337,554</u>	<u>4,387,125</u>	<u>3,892,620</u>	<u>494,505</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Education:</b>				
Public Schools, Net School Spending (excluding fringe benefits):				
Salaries and overtime	\$ 220,891,579	219,940,847	219,938,535	2,312
Ordinary maintenance	37,123,514	40,287,980	40,287,980	-
Capital outlay	250,000	707,149	707,149	-
	<u>258,265,093</u>	<u>260,935,976</u>	<u>260,933,664</u>	<u>2,312</u>
Public Schools, Non Net School Spending (excluding fringe benefits):				
Salaries and overtime	4,794,915	4,995,662	4,995,662	-
Ordinary maintenance	15,997,954	16,252,421	16,252,421	-
Capital outlay	-	131,694	131,694	-
	<u>20,792,869</u>	<u>21,379,777</u>	<u>21,379,777</u>	<u>-</u>
Total education (excluding fringes)	<u>279,057,962</u>	<u>282,315,753</u>	<u>282,313,441</u>	<u>2,312</u>
<b>Public works:</b>				
Department of Public Works:				
Salaries and overtime	6,174,617	6,584,825	6,531,125	53,700
Ordinary maintenance	7,843,960	7,799,641	7,585,616	214,025
Capital outlay	-	850,840	850,223	617
Snow and ice removal	6,000,000	4,571,136	4,553,869	17,267
Street lighting	1,952,828	1,902,828	1,850,236	52,592
	<u>21,971,405</u>	<u>21,709,270</u>	<u>21,371,069</u>	<u>338,201</u>
Union Station (WRA):				
Ordinary maintenance	808,892	808,892	808,892	-
Total public works	<u>22,780,297</u>	<u>22,518,162</u>	<u>22,179,961</u>	<u>338,201</u>
<b>Culture and recreation:</b>				
Parks and Cemetery:				
Salaries and overtime	3,980,267	3,997,094	3,984,004	13,090
Ordinary maintenance	1,731,000	1,731,000	1,728,995	2,005
Capital outlay	-	427,500	424,687	2,813
	<u>5,711,267</u>	<u>6,155,594</u>	<u>6,137,686</u>	<u>17,908</u>
Public Library:				
Salaries and overtime	4,014,412	3,979,412	3,959,931	19,481
Ordinary maintenance	1,793,850	1,818,850	1,816,716	2,134
	<u>5,808,262</u>	<u>5,798,262</u>	<u>5,776,647</u>	<u>21,615</u>
Auditorium:				
Ordinary maintenance	101,300	101,300	86,720	14,580
Total culture and recreation	<u>11,620,829</u>	<u>12,055,156</u>	<u>12,001,053</u>	<u>54,103</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Intergovernmental:</b>				
Health insurance - retirees	\$ 3,132	3,132	3,132	-
Regional planning	50,582	50,582	50,582	-
Regional Transit Authority	3,234,464	3,234,464	3,234,464	-
Mosquito control	149,000	111,521	111,521	-
Air pollution control	43,961	43,961	43,961	-
Charter Schools	26,019,458	25,955,574	26,096,765	(141,191)
School choice	2,833,889	2,903,457	3,088,858	(185,401)
Special education - Chapter 766	245,091	245,091	252,888	(7,797)
Registry parking ticket surcharge	392,960	392,960	392,960	-
<b>Total intergovernmental</b>	<b>32,972,537</b>	<b>32,940,742</b>	<b>33,275,131</b>	<b>(334,389)</b>
<b>Debt service:</b>				
Principal	25,777,507	25,777,507	25,777,507	-
Interest	10,479,511	10,279,155	10,263,828	15,327
<b>Pension obligation bond:</b>				
Municipal departments (P&I)	10,501,443	10,501,444	10,501,444	-
Enterprise funds (P&I)	1,341,704	1,341,704	1,341,704	-
Public schools (P&I)	4,795,916	4,795,916	4,795,915	1
<b>Total debt service</b>	<b>52,896,081</b>	<b>52,695,726</b>	<b>52,680,398</b>	<b>15,328</b>
<b>Fringe benefits:</b>				
<b>Retirement:</b>				
<b>Contributory pensions:</b>				
Municipal departments	28,282,266	28,282,266	28,213,124	69,142
Public Schools	12,799,219	12,867,851	12,867,851	-
<b>Noncontributory pensions:</b>				
Municipal departments	36,364	36,364	31,986	4,378
Public Schools	20,860	17,248	17,248	-
	<b>41,138,709</b>	<b>41,203,729</b>	<b>41,130,209</b>	<b>73,520</b>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
 Required Supplementary Information  
 For the Fiscal Year Ended June 30, 2019  
 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	\$ 1,260,224	1,095,224	936,104	159,120
Public Schools	493,700	567,398	567,398	-
Public safety injured on duty	593,850	793,850	790,969	2,881
Unemployment compensation:				
Municipal departments	110,000	78,000	64,788	13,212
Public Schools	511,463	532,909	532,909	-
	<u>2,969,237</u>	<u>3,067,381</u>	<u>2,892,168</u>	<u>175,213</u>
Group insurance:				
Municipal departments	25,165,960	25,218,000	25,215,088	2,912
Public Schools	43,961,762	43,961,600	43,961,600	-
	<u>69,127,722</u>	<u>69,179,600</u>	<u>69,176,688</u>	<u>2,912</u>
Total fringe benefits	<u>113,235,668</u>	<u>113,450,710</u>	<u>113,199,065</u>	<u>251,645</u>
Contingency	1,300,000	-	-	-
<b>Total expenditures</b>	<b><u>636,111,883</u></b>	<b><u>640,666,938</u></b>	<b><u>638,742,259</u></b>	<b><u>1,924,679</u></b>
<b>Excess of revenues over expenditures</b>	<b><u>13,048,489</u></b>	<b><u>11,879,433</u></b>	<b><u>19,521,466</u></b>	<b><u>7,642,033</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,541,634	3,180,910	3,180,910	-
Transfers out	(15,590,123)	(17,209,414)	(17,209,414)	-
<b>Total other financing sources (uses)</b>	<b><u>(13,048,489)</u></b>	<b><u>(14,028,504)</u></b>	<b><u>(14,028,504)</u></b>	<b><u>-</u></b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>(2,149,071)</b>	<b>5,492,962</b>	<b>7,642,033</b>
Budgetary fund balance - beginning	41,033,591	41,033,591	41,033,591	-
Budgetary fund balance - ending	<b><u>\$ 41,033,591</u></b>	<b><u>38,884,520</u></b>	<b><u>46,526,553</u></b>	<b><u>7,642,033</u></b>

(Concluded)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

**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)\***

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 49,098,344	46,188,470	44,411,990	42,703,837	41,200,578
Contributions in relation to the statutorily determined contribution	<u>49,098,344</u>	<u>46,188,470</u>	<u>44,411,990</u>	<u>42,703,837</u>	<u>41,200,578</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 192,957,155	182,832,183	175,910,160	173,759,691	168,856,039
Contributions as a percentage of covered payroll	25.45%	25.26%	25.25%	24.58%	24.40%

(continued)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 38,148,683	35,409,140	32,706,347	29,770,499	28,505,066
Contributions in relation to the statutorily determined contribution	<u>38,148,683</u>	<u>35,409,140</u>	<u>32,706,347</u>	<u>30,196,904</u>	<u>28,505,066</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>	<u>-</u>
Covered payroll	\$ 166,094,906	159,669,859	157,720,871	166,392,075	166,050,095
Contributions as a percentage of covered payroll	22.97%	22.18%	20.74%	18.15%	17.17%

(concluded)

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

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

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) \***

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 45,476,734	42,470,799	40,756,331	39,316,043	38,205,664
Contributions in relation to the statutorily determined contribution	<u>45,476,734</u>	<u>42,470,799</u>	<u>40,756,331</u>	<u>39,316,043</u>	<u>38,205,664</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 180,944,440	170,204,654	163,435,992	162,356,825	158,913,083
Contributions as a percentage of covered payroll	25.13%	24.95%	24.94%	24.22%	24.04%
					(continued)
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 35,084,000	32,246,000	29,720,000	27,277,000	26,117,000
Contributions in relation to the statutorily determined contribution	<u>35,084,000</u>	<u>32,246,000</u>	<u>29,720,000</u>	<u>27,703,405</u>	<u>26,117,000</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>(426,405)</u>	<u>-</u>
Covered payroll	\$ 154,576,739	148,503,011	146,154,424	154,074,255	155,064,788
Contributions as a percentage of covered payroll	22.70%	21.71%	20.33%	17.98%	16.84%
					(concluded)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

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) \***

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

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

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

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

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

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\***

	2019**	2018**	2017**	2016**	2015**
District's proportion of the net pension liability	0.06271%	0.06445%	0.06517%	0.06237%	0.06291%
District's proportionate share of the net pension liability	\$ 8,296,794	8,265,187	8,986,634	7,099,775	4,670,154
District's covered payroll	3,676,509	3,678,070	3,630,096	3,413,667	3,245,825
District's proportionate share of the net pension liability as a percentage of its covered payroll	225.67%	224.72%	247.56%	207.98%	143.88%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	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, 2018, 2017, 2016, 2015 and 2014.

**Schedule of District's Contributions\***

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

**OPEB Schedules (City)**

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

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

	<u>2019</u>	<u>2018</u>
Changes for the year:		
Service cost	\$ 32,551,711	31,603,603
Interest	25,793,294	28,218,425
Differences between expected and actual experience	8,668,944	6,664,810
Changes in assumptions/inputs	71,307,434	-
Changes in benefit terms	-	-
Benefit payments	(22,388,653)	(23,376,480)
Administrative expense	-	-
Net changes	<u>115,932,730</u>	<u>43,110,358</u>
Total OPEB liability, beginning of the fiscal year	<u>802,709,512</u>	<u>759,599,154</u>
Total OPEB liability, end of the fiscal year	\$ <u><u>918,642,242</u></u>	<u><u>802,709,512</u></u>
Covered-employee payroll	\$ 360,955,133	350,441,877
Total OPEB liability as a percentage of covered-employee payroll	254.5%	229.1%
Discount Rate	3.13%	3.62%

Notes to Schedule:

Changes in benefit terms:

None

Changes in assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.  
The summary of the key assumptions is included in footnote 8 to the financial statements.

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

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

June 30, 2019

**OPEB Schedules (District)**

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

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

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

Notes to Schedule:

Changes in benefit terms:

None

Changes in assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.  
The summary of the key assumptions is included in footnote 8 to the financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2019

**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 2019, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$4,587. In fiscal 2019, revenues and other financial sources exceeded estimates by \$5,717 and expenditures were less than budgetary estimates by \$1,925.

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, 2019:

	<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	\$ 658,264	638,742	(14,029)	5,493
Reclassify OPEB reserve transactions	574	-	1,846	2,420
Capital leases	-	5,059	5,059	-
COLA on-behalf payments	860	860	-	-
Adjustment for accrued health insurance exp.	-	(871)	-	871
Adjustment of revenues to a modified basis	<u>(769)</u>	<u>-</u>	<u>-</u>	<u>(769)</u>
 As reported on a GAAP basis	 <u>\$ 658,929</u>	 <u>643,790</u>	 <u>(7,124)</u>	 <u>8,015</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); and COLA on-behalf payments are recorded on a GAAP basis only.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2019

#### Changes of Assumptions (WRS)

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

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

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

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

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

The mortality assumption for disabled participants was changed from the 1994 Group Annuity Mortality Table set forward 10 years to the 1994 Group Annuity Mortality Table set forward 7 years, as of January 1, 2010. As of January 1, 2011, the table was changed to the 1994 Group Annuity Mortality Table set forward 5 years. As of January 1, 2012, the assumption was changed to the RP-2000 Combined Healthy Mortality Table set forward 5 years projected 12 years using Scale AA. As of January 1, 2013, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected 5 years using Scale AA with a 3-year set forward for males. As of January 1, 2014, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA from 2010 with a 3-year set forward for males. As of January 1, 2015, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA with a 3-year set forward for males. As of January 1, 2016, the assumption was changed to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 with a 3-year set

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to Required Supplementary Information

June 30, 2019

forward for males. As of January 1, 2018, the assumption was changed to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

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

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

Actuarial cost method (2009-2019):	Entry Age Normal
Amortization method (2009 - 2014):	Appropriation increases 4.00% per year.
Amortization method (2015):	Appropriation increases 5.85% per year.
Amortization method (2016):	Appropriation increases 4.00% in 2019 and 6.30% thereafter.
Amortization method (2018):	Appropriation increases 6.3% in 2019 and 6.33% thereafter with a 5.97% increase in 2034.
Amortization method (2019):	Appropriation increases 6.33% in 2020 and thereafter with a 12.0% decrease in 2034.
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, 2015):	17 years
Remaining amortization period (2014):	18 years
Remaining amortization period (2016, 2018):	16 years
Remaining amortization period (2019):	15 years
Asset valuation method (2009-2019):	5-year smoothed fair value
Inflation (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
Inflation (2015-2018):	2.50% for the next year; 3.50% thereafter
Inflation (2019):	3.00%
Salary increases (2009):	5.00%
Salary increases (2010-2011):	4.75%
Salary increases (2012):	4.50%
Salary increases (2013 – 2015, 2018):	3.50% for the next two years; 4.50% thereafter
Salary increases (2016):	3.50% for the next year; 4.50% thereafter
Salary increases (2019):	4.00%
Investment rate of return (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**

Notes to Required Supplementary Information

June 30, 2019

Investment rate of return (2015):	7.50%
Investment rate of return (2016):	7.375%
Investment rate of return (2018):	7.0%
Investment rate of return (2019):	6.9%

**Other Postemployment Benefits (OPEB) – (City)**

The plan is funded on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

See Notes to the Financial Statements for summary of significant actuarial methods and assumptions.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The City changed the discount rate to 3.13% from 3.62% that was used in fiscal 2018.

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

See Notes to the Financial Statements for summary of significant actuarial methods and assumptions.

## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2019

**Nonmajor Governmental Funds** - A combining balance sheet and combining statement of revenues, expenditures and changes in fund balances is provided for other (nonmajor) governmental funds.

#### **Special Revenue**

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

**DCU Center Operations**– accounts for the operations of the City’s civic center and arena.

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

**Police Auxiliary** – accounts for police off-duty details.

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

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

**School Grants** – accounts for school programs funded by grants.

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

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

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

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

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

#### **Capital Projects**

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

**DCU Center Construction**– accounts for the construction and improvement of the DCU Center.

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

**Capital Equipment** – accounts for the acquisition of equipment.

## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2019

**Rehabilitation of Public Buildings**– The rehabilitation of public buildings fund accounts for improvements to City owned buildings.

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

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

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

**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.

**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.

**CITY OF WORCESTER, MASSACHUSETTS**

Supplementary Statements and Schedules

June 30, 2019

**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, 2019

	<b>Special Revenue Funds</b>				
	<b>DCU Center Operations</b>	<b>School Lunch</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	2,982,275	2,815,285	-	1,433,311	7,465,528
Restricted investments	-	-	-	-	-
Receivables, net	-	-	1,008,436	-	189,064
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,982,275</b>	<b>2,815,285</b>	<b>1,008,436</b>	<b>1,433,311</b>	<b>7,654,592</b>
<b>Liabilities:</b>					
Accounts payable	\$ 87	68,781	218,999	7,385	17,862
Due to general fund	-	-	357,230	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	2,526,700	-	-	-	-
<b>Total liabilities</b>	<b>2,526,787</b>	<b>68,781</b>	<b>576,229</b>	<b>7,385</b>	<b>17,862</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	1,008,436	-	189,064
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,008,436</b>	<b>-</b>	<b>189,064</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	455,488	2,746,504	-	1,425,926	7,447,666
Committed	-	-	-	-	-
Unassigned	-	-	(576,229)	-	-
<b>Total fund balances</b>	<b>455,488</b>	<b>2,746,504</b>	<b>(576,229)</b>	<b>1,425,926</b>	<b>7,447,666</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,982,275</b>	<b>2,815,285</b>	<b>1,008,436</b>	<b>1,433,311</b>	<b>7,654,592</b>

## Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	City Grants	Subtotal
-	-	24,821,466	-	-	-	24,821,466
-	3,579,509	-	85,169	1,725,654	7,972,030	28,058,761
-	-	-	-	-	-	-
-	-	176,603	-	-	-	1,374,103
12,029,477	12,936	-	-	-	464,873	12,507,286
<u>12,029,477</u>	<u>3,592,445</u>	<u>24,998,069</u>	<u>85,169</u>	<u>1,725,654</u>	<u>8,436,903</u>	<u>66,761,616</u>
251,847	4,240	-	-	36,618	103,373	709,192
5,911,823	-	-	-	-	-	6,269,053
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,526,700
<u>6,163,670</u>	<u>4,240</u>	<u>-</u>	<u>-</u>	<u>36,618</u>	<u>103,373</u>	<u>9,504,945</u>
-	-	176,603	-	-	-	1,374,103
-	-	176,603	-	-	-	1,374,103
-	-	-	-	-	-	-
5,865,807	3,588,205	-	85,169	1,689,036	8,333,530	31,637,331
-	-	24,821,466	-	-	-	24,821,466
-	-	-	-	-	-	(576,229)
<u>5,865,807</u>	<u>3,588,205</u>	<u>24,821,466</u>	<u>85,169</u>	<u>1,689,036</u>	<u>8,333,530</u>	<u>55,882,568</u>
<u>12,029,477</u>	<u>3,592,445</u>	<u>24,998,069</u>	<u>85,169</u>	<u>1,725,654</u>	<u>8,436,903</u>	<u>66,761,616</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

	<b>Capital Projects Funds</b>			
	<b>DCU Center Construction</b>	<b>Street and Sidewalk</b>	<b>Capital Equipment</b>	<b>Rehabilitation of Public Buildings</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	999,899	8,263,337	1,992,103	2,827,597
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	-	71,459	-	-
<b>Total assets</b>	<b>\$ 999,899</b>	<b>8,334,796</b>	<b>1,992,103</b>	<b>2,827,597</b>
<b>Liabilities:</b>				
Accounts payable	\$ 12,948	924,792	-	1,202,824
Due to general fund	-	-	-	-
Retainage payable	40,450	201,362	-	1,763,963
Temporary loans	1,844,576	13,406,924	4,159,506	11,665,896
Other liabilities	-	-	-	-
<b>Total liabilities</b>	<b>1,897,974</b>	<b>14,533,078</b>	<b>4,159,506</b>	<b>14,632,683</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue-other	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	(898,075)	(6,198,282)	(2,167,403)	(11,805,086)
<b>Total fund balances</b>	<b>(898,075)</b>	<b>(6,198,282)</b>	<b>(2,167,403)</b>	<b>(11,805,086)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 999,899</b>	<b>8,334,796</b>	<b>1,992,103</b>	<b>2,827,597</b>

Capital Projects Funds

School Construction	Parks Improvements	Polar Park Baseball Stadium	CitySquare Construction	Other	Subtotal
-	-	-	-	-	-
-	6,319,574	16,617,200	622,441	2,085,307	39,727,458
-	-	-	-	-	-
-	-	-	-	-	-
6,012,304	-	-	-	-	6,083,763
<u>6,012,304</u>	<u>6,319,574</u>	<u>16,617,200</u>	<u>622,441</u>	<u>2,085,307</u>	<u>45,811,221</u>
6,405,629	614,284	-	-	7,112	9,167,589
1,515,774	-	-	-	-	1,515,774
1,388,593	308,301	-	-	10,068	3,712,737
8,626,247	7,841,365	-	24,468	1,349,437	48,918,419
-	-	-	-	-	-
<u>17,936,243</u>	<u>8,763,950</u>	<u>-</u>	<u>24,468</u>	<u>1,366,617</u>	<u>63,314,519</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,617,200	597,973	718,690	17,933,863
-	-	-	-	-	-
(11,923,939)	(2,444,376)	-	-	-	(35,437,161)
<u>(11,923,939)</u>	<u>(2,444,376)</u>	<u>16,617,200</u>	<u>597,973</u>	<u>718,690</u>	<u>(17,503,298)</u>
<u>6,012,304</u>	<u>6,319,574</u>	<u>16,617,200</u>	<u>622,441</u>	<u>2,085,307</u>	<u>45,811,221</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Libraries</b>	<b>Schools</b>	<b>Parks</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	-	25,234	54,883	19,591	1,180
Restricted investments	5,049,490	3,599,405	10,691,739	895,840	601,408
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 5,049,490</b>	<b>3,624,639</b>	<b>10,746,622</b>	<b>915,431</b>	<b>602,588</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	-	2,633	-	-
Due to general fund	-	-	-	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	119,178	-	-	-	-
<b>Total liabilities</b>	<b>119,178</b>	<b>-</b>	<b>2,633</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Nonspendable	4,247,507	2,919,258	7,184,538	650,792	428,563
Restricted	682,805	705,381	3,559,451	264,639	174,025
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>4,930,312</b>	<b>3,624,639</b>	<b>10,743,989</b>	<b>915,431</b>	<b>602,588</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,049,490</b>	<b>3,624,639</b>	<b>10,746,622</b>	<b>915,431</b>	<b>602,588</b>

<b>Permanent Funds</b>					<b>Total Nonmajor Governmental Funds</b>
<b>Police</b>	<b>Public Works</b>	<b>Memorial</b>	<b>Welfare</b>	<b>Subtotal</b>	
-	-	-	-	-	24,821,466
-	9,364	105,048	1,283	216,583	68,002,802
12,244	441,350	375,958	6,630	21,674,064	21,674,064
-	-	-	-	-	1,374,103
-	-	-	-	-	18,591,049
<u>12,244</u>	<u>450,714</u>	<u>481,006</u>	<u>7,913</u>	<u>21,890,647</u>	<u>134,463,484</u>
-	-	-	-	2,633	9,879,414
-	-	-	-	-	7,784,827
-	-	-	-	-	3,712,737
-	-	-	-	-	48,918,419
-	-	-	-	119,178	2,645,878
-	-	-	-	121,811	72,941,275
-	-	-	-	-	1,374,103
-	-	-	-	-	1,374,103
4,543	371,634	210,883	3,902	16,021,620	16,021,620
7,701	79,080	270,123	4,011	5,747,216	55,318,410
-	-	-	-	-	24,821,466
-	-	-	-	-	(36,013,390)
<u>12,244</u>	<u>450,714</u>	<u>481,006</u>	<u>7,913</u>	<u>21,768,836</u>	<u>60,148,106</u>
<u>12,244</u>	<u>450,714</u>	<u>481,006</u>	<u>7,913</u>	<u>21,890,647</u>	<u>134,463,484</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, 2019

	<b>Special Revenue Funds</b>				
	<b>DCU Center Operations</b>	<b>School Lunch</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	13,769,020	-	-	65,000
Investment earnings	-	-	-	-	-
Charges for services	1,566,049	21,104	11,249,389	16,596	1,952,793
Donations	-	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Energy sales and rebates	-	-	-	-	1,374,057
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>1,566,049</b>	<b>13,790,124</b>	<b>11,249,389</b>	<b>16,596</b>	<b>3,391,850</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	12,475
Public safety	-	-	11,504,204	-	956,109
Health and human services	-	-	-	-	407,683
Education	-	14,146,819	-	-	-
Public works	-	-	-	2,614,983	261,135
Culture and recreation	943,955	-	-	-	-
Community development	-	-	-	-	310,000
Debt service:					
Principal	393,642	-	-	1,322,527	864,229
Interest	75,677	-	-	336,026	-
<b>Total expenditures</b>	<b>1,413,274</b>	<b>14,146,819</b>	<b>11,504,204</b>	<b>4,273,536</b>	<b>2,811,631</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>152,775</b>	<b>(356,695)</b>	<b>(254,815)</b>	<b>(4,256,940)</b>	<b>580,219</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	4,380,356	-
Transfers out	-	-	-	-	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,380,356</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>152,775</b>	<b>(356,695)</b>	<b>(254,815)</b>	<b>123,416</b>	<b>580,219</b>
Fund balances – beginning	302,713	3,103,199	(321,414)	1,302,510	6,867,447
Fund balances – ending	\$ 455,488	2,746,504	(576,229)	1,425,926	7,447,666

## Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	MassHire Central Region Workforce	City Grants	Subtotal
44,583,654	511,857	-	4,322,797	4,906,249	11,697,261	79,855,838
-	-	-	-	-	-	-
682,505	1,514,756	8,634,617	82,913	135,429	10,685	25,866,836
756,297	-	-	-	-	2,067,993	2,824,290
-	-	-	-	-	-	-
-	-	-	-	-	45,835	1,419,892
-	-	610,085	-	-	419,852	1,029,937
<u>46,022,456</u>	<u>2,026,613</u>	<u>9,244,702</u>	<u>4,405,710</u>	<u>5,041,678</u>	<u>14,241,626</u>	<u>110,996,793</u>
-	-	-	-	-	3,241,410	3,253,885
-	-	-	-	-	4,287,851	16,748,164
-	-	-	-	4,740,347	2,724,300	7,872,330
43,280,689	1,072,892	-	-	-	-	58,500,400
-	-	-	-	-	586,664	3,462,782
-	-	-	-	-	2,086,881	3,030,836
-	-	-	4,239,337	-	4,240,712	8,790,049
-	-	-	84,000	-	235,000	2,899,398
-	-	-	46,921	-	78,221	536,845
<u>43,280,689</u>	<u>1,072,892</u>	<u>-</u>	<u>4,370,258</u>	<u>4,740,347</u>	<u>17,481,039</u>	<u>105,094,689</u>
<u>2,741,767</u>	<u>953,721</u>	<u>9,244,702</u>	<u>35,452</u>	<u>301,331</u>	<u>(3,239,413)</u>	<u>5,902,104</u>
299,520	-	-	-	-	2,359,003	7,038,879
-	-	(8,176,094)	-	-	(2,490,762)	(10,666,856)
-	-	393,960	-	-	-	393,960
-	-	-	-	-	-	-
<u>299,520</u>	<u>-</u>	<u>(7,782,134)</u>	<u>-</u>	<u>-</u>	<u>(131,759)</u>	<u>(3,234,017)</u>
3,041,287	953,721	1,462,568	35,452	301,331	(3,371,172)	2,668,087
<u>2,824,520</u>	<u>2,634,484</u>	<u>23,358,898</u>	<u>49,717</u>	<u>1,387,705</u>	<u>11,704,702</u>	<u>53,214,481</u>
<u>5,865,807</u>	<u>3,588,205</u>	<u>24,821,466</u>	<u>85,169</u>	<u>1,689,036</u>	<u>8,333,530</u>	<u>55,882,568</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, 2019

	<b>Capital Projects Funds</b>			
	<b>DCU Center Construction</b>	<b>Street and Sidewalk</b>	<b>Capital Equipment</b>	<b>Rehabilitation of Public Buildings</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	5,149,574	-	-
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	-	-	-	-
Contributions to permanent fund	-	-	-	-
Energy sales and rebates	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>5,149,574</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	322,207	1,291,965
Public safety	-	-	2,398,976	151,220
Health and human services	-	-	6,383	-
Education	-	-	293,141	-
Public works	-	16,934,989	1,183,847	10,311,073
Culture and recreation	1,060,950	-	349,003	476,976
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>1,060,950</b>	<b>16,934,989</b>	<b>4,553,557</b>	<b>12,231,234</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,060,950)</b>	<b>(11,785,415)</b>	<b>(4,553,557)</b>	<b>(12,231,234)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	800,000	1,883,846
Transfers out	-	(381,411)	-	-
Premium on issuance of bonds and notes	204,548	328,277	200	2,054,439
Issuance of bonds	2,752,498	8,121,687	2,892,768	2,980,353
<b>Total other financing sources (uses)</b>	<b>2,957,046</b>	<b>8,068,553</b>	<b>3,692,968</b>	<b>6,918,638</b>
<b>Net change in fund balances</b>	<b>1,896,096</b>	<b>(3,716,862)</b>	<b>(860,589)</b>	<b>(5,312,596)</b>
Fund balances – beginning	(2,794,171)	(2,481,420)	(1,306,814)	(6,492,490)
Fund balances – ending	\$ <u>(898,075)</u>	<u>(6,198,282)</u>	<u>(2,167,403)</u>	<u>(11,805,086)</u>

Capital Projects Funds

School Construction	Parks Improvements	Polar Park Baseball Stadium	CitySquare Construction	Other	Subtotal
28,324,472	832,039	-	-	309,375	34,615,460
-	-	431,976	-	-	431,976
-	11,700	-	-	-	11,700
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
28,324,472	843,739	431,976	-	309,375	35,059,136
-	-	-	-	-	1,614,172
-	-	-	-	-	2,550,196
-	-	-	-	-	6,383
39,625,302	-	-	-	-	39,918,443
-	-	14,461,536	30,171	1,294,298	44,215,914
-	7,050,393	-	-	16,375	8,953,697
-	-	-	-	96,673	96,673
-	-	-	-	-	-
-	-	708,240	-	-	708,240
39,625,302	7,050,393	15,169,776	30,171	1,407,346	98,063,718
(11,300,830)	(6,206,654)	(14,737,800)	(30,171)	(1,097,971)	(63,004,582)
24,999	-	-	-	804,129	3,512,974
-	(413,334)	-	-	-	(794,745)
38,756	74,936	-	90,725	-	2,791,881
13,604,409	7,127,238	31,355,000	1,665,548	219,151	70,718,652
13,668,164	6,788,840	31,355,000	1,756,273	1,023,280	76,228,762
2,367,334	582,186	16,617,200	1,726,102	(74,691)	13,224,180
(14,291,273)	(3,026,562)	-	(1,128,129)	793,381	(30,727,478)
(11,923,939)	(2,444,376)	16,617,200	597,973	718,690	(17,503,298)

(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, 2019

	<b>Permanent Funds</b>				
	<b>Hope Cemetery</b>	<b>Health Department</b>	<b>Library</b>	<b>Schools</b>	<b>Parks</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	176,994	116,506	473,375	33,675	21,679
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	84,602	301,638	116,472	4,483	-
Energy sales and rebates	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>261,596</u>	<u>418,144</u>	<u>589,847</u>	<u>38,158</u>	<u>21,679</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	13,000	-	-	-
Education	-	-	-	9,500	-
Public works	-	-	-	-	-
Culture and recreation	-	-	102,565	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>13,000</u>	<u>102,565</u>	<u>9,500</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>261,596</u>	<u>405,144</u>	<u>487,282</u>	<u>28,658</u>	<u>21,679</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	13,000	138,750	22,036	-
Transfers out	(60,089)	(13,000)	(138,750)	(22,036)	-
Premium on issuance of bonds and notes	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(60,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	201,507	405,144	487,282	28,658	21,679
Fund balances – beginning	<u>4,728,805</u>	<u>3,219,495</u>	<u>10,256,707</u>	<u>886,773</u>	<u>580,909</u>
Fund balances – ending	\$ <u><u>4,930,312</u></u>	\$ <u><u>3,624,639</u></u>	\$ <u><u>10,743,989</u></u>	\$ <u><u>915,431</u></u>	\$ <u><u>602,588</u></u>

<b>Permanent Funds</b>					<b>Total Nonmajor Governmental Funds</b>
<b>Police</b>	<b>Public Works</b>	<b>Memorial</b>	<b>Welfare</b>	<b>Subtotal</b>	
-	-	-	-	-	114,471,298
442	16,927	13,691	(234)	853,055	1,285,031
-	-	-	-	-	25,866,836
-	-	-	-	-	2,835,990
-	-	-	-	507,195	507,195
-	-	-	-	-	1,419,892
-	-	-	-	-	1,029,937
<u>442</u>	<u>16,927</u>	<u>13,691</u>	<u>(234)</u>	<u>1,360,250</u>	<u>147,416,179</u>
-	-	-	-	-	4,868,057
-	-	-	-	-	19,298,360
-	-	-	500	13,500	7,892,213
-	-	800	-	10,300	98,429,143
-	12,191	-	-	12,191	47,690,887
-	-	-	-	102,565	12,087,098
-	-	-	-	-	8,886,722
-	-	-	-	-	2,899,398
-	-	-	-	-	1,245,085
<u>-</u>	<u>12,191</u>	<u>800</u>	<u>500</u>	<u>138,556</u>	<u>203,296,963</u>
<u>442</u>	<u>4,736</u>	<u>12,891</u>	<u>(734)</u>	<u>1,221,694</u>	<u>(55,880,784)</u>
-	19,595	2,100	500	195,981	10,747,834
-	(19,595)	(2,100)	-	(255,570)	(11,717,171)
-	-	-	-	-	3,185,841
-	-	-	-	-	70,718,652
<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>(59,589)</u>	<u>72,935,156</u>
442	4,736	12,891	(234)	1,162,105	17,054,372
11,802	445,978	468,115	8,147	20,606,731	43,093,734
<u>12,244</u>	<u>450,714</u>	<u>481,006</u>	<u>7,913</u>	<u>21,768,836</u>	<u>60,148,106</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, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<b>Variance with final budget positive (negative)</b>
<b>Revenues:</b>				
Fees	\$ 1,363,201	1,363,201	1,107,229	(255,972)
Miscellaneous	5,500	5,500	26,836	21,336
Total revenues	<u>1,368,701</u>	<u>1,368,701</u>	<u>1,134,065</u>	<u>(234,636)</u>
<b>Expenditures:</b>				
Salaries and benefits	374,490	375,690	375,217	473
Ordinary maintenance	848,000	846,800	791,380	55,420
Debt service	293,627	293,627	292,376	1,251
Indirect costs	33,067	33,067	33,067	-
Total expenditures	<u>1,549,184</u>	<u>1,549,184</u>	<u>1,492,040</u>	<u>57,144</u>
Excess (deficiency) of revenues over expenditures	<u>(180,483)</u>	<u>(180,483)</u>	<u>(357,975)</u>	<u>(177,492)</u>
<b>Other financing sources (uses):</b>				
Transfers in	200,000	200,000	377,492	177,492
Transfers (out) for pension bond assessment	<u>(19,517)</u>	<u>(19,517)</u>	<u>(19,517)</u>	<u>-</u>
Total other financing sources (uses)	<u>180,483</u>	<u>180,483</u>	<u>357,975</u>	<u>177,492</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	\$ 1,492,040	357,975	-
Net change in net pension liability	41,301	-	(41,301)
Net change in OPEB liability	40,739	-	(40,739)
Net change in deferred outflows and inflows	(19,415)	-	19,415
Net change in compensated absences	2,447	-	(2,447)
Capital projects expenses	48,612	-	(48,612)
Debt service principal	(194,436)	-	194,436
Amortization of premium interest	(24,888)	-	24,888
Net change in accrued interest	16,324	-	(16,324)
Depreciation	<u>161,752</u>	<u>-</u>	<u>(161,752)</u>
As reported on a GAAP basis	<u>\$ 1,564,476</u>	<u>357,975</u>	<u>(72,436)</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, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 43,085,000	43,085,000	43,998,396	913,396
Miscellaneous	1,233,442	1,233,442	969,649	(263,793)
Total revenues	<u>44,318,442</u>	<u>44,318,442</u>	<u>44,968,045</u>	<u>649,603</u>
Expenditures:				
Salaries and benefits	6,609,983	6,583,033	6,471,850	111,183
Ordinary maintenance	23,528,410	23,872,410	23,872,247	163
Capital	24,500	34,500	30,652	3,848
Debt service	9,719,204	9,662,204	9,661,931	273
Indirect costs	3,882,750	3,882,750	3,882,750	-
Total expenditures	<u>43,764,847</u>	<u>44,034,897</u>	<u>43,919,430</u>	<u>115,467</u>
Excess of revenues over expenditures	<u>553,595</u>	<u>283,545</u>	<u>1,048,615</u>	<u>765,070</u>
Other financing sources (uses):				
Transfers in	-	270,050	270,050	-
Transfers (out) for pension bond assessment	(553,595)	(553,595)	(553,595)	-
Total other financing sources (uses)	<u>(553,595)</u>	<u>(283,545)</u>	<u>(283,545)</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>-</u>	<u>765,070</u>	<u>765,070</u>
Budgetary fund balance – beginning	<u>2,043,506</u>	<u>2,043,506</u>	<u>2,043,506</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 2,043,506</u>	<u>2,043,506</u>	<u>2,808,576</u>	<u>765,070</u>

**Reconciliation to GAAP-basis:**

	<u>Revenues</u>	<u>Expenses</u>	<u>Capital Grants &amp; Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 44,968,045	43,919,430	(283,545)	765,070
Net change in accrued receivables	1,274,892	-	-	1,274,892
Net change in net pension liability	-	1,394,621	-	(1,394,621)
Net change in OPEB liability	-	795,073	-	(795,073)
Net change in deferred outflows and inflow:	-	(1,217,735)	-	1,217,735
Net change in compensated absences	-	(14,069)	-	14,069
Net change in claims and judgments	-	1,116,209	-	(1,116,209)
Capital grants	-	-	5,967,175	5,967,175
Capital projects expenses	-	214,554	-	(214,554)
Capital projects transfers	-	-	50,000	50,000
Debt service principal	-	(5,802,649)	-	5,802,649
Amortization of premium interest	-	(433,283)	-	433,283
Net change in accrued interest	-	331,370	-	(331,370)
Depreciation	-	10,882,021	-	(10,882,021)
As reported on a GAAP basis	<u>\$ 46,242,937</u>	<u>51,185,542</u>	<u>5,733,630</u>	<u>791,025</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, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 25,288,835	25,288,835	28,820,755	3,531,920
Miscellaneous	1,136,815	1,136,815	1,794,978	658,163
Total revenues	<u>26,425,650</u>	<u>26,425,650</u>	<u>30,615,733</u>	<u>4,190,083</u>
Expenditures:				
Salaries and benefits	11,855,403	11,508,053	10,960,989	547,064
Ordinary maintenance	3,770,150	4,117,500	3,638,191	479,309
Capital	25,000	25,000	12,726	12,274
Debt service	7,568,350	7,568,350	7,520,785	47,565
Indirect costs	2,438,155	2,438,155	2,438,155	-
Total expenditures	<u>25,657,058</u>	<u>25,657,058</u>	<u>24,570,846</u>	<u>1,086,212</u>
Excess of revenues over expenditures	<u>768,592</u>	<u>768,592</u>	<u>6,044,887</u>	<u>5,276,295</u>
Other financing sources (uses):				
Transfers (out) for pension bond assessment	<u>(768,592)</u>	<u>(768,592)</u>	<u>(768,592)</u>	<u>-</u>
Net changes in fund balance	-	-	5,276,295	5,276,295
Budgetary fund balance – beginning	<u>10,335,218</u>	<u>10,335,218</u>	<u>10,335,218</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 10,335,218</u>	<u>10,335,218</u>	<u>15,611,513</u>	<u>5,276,295</u>

**Reconciliation to GAAP-basis:**

	<u>Revenues</u>	<u>Expenses</u>	<u>Capital Grants &amp; Transfers (Net)</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 30,615,733	24,570,846	(768,592)	5,276,295
Net change in accrued receivables	(688,418)	-	-	(688,418)
Net change in net pension liability	-	3,478,812	-	(3,478,812)
Net change in OPEB liability	-	1,598,625	-	(1,598,625)
Net change in deferred outflows and inflow	-	(3,047,359)	-	3,047,359
Net change in compensated absences	-	(3,555)	-	3,555
Net change in claims and judgments	-	(332,974)	-	332,974
Capital grants	-	-	45,000	45,000
Transfers out to capital projects fund	-	-	(498,878)	(498,878)
Capital projects expenses	-	411,134	-	(411,134)
Debt service principal	-	(5,191,335)	-	5,191,335
Amortization of premium interest	-	(297,236)	-	297,236
Net change in accrued interest	-	229,768	-	(229,768)
Depreciation	-	8,093,978	-	(8,093,978)
As reported on a GAAP basis	<u>\$ 29,927,315</u>	<u>29,510,704</u>	<u>(1,222,470)</u>	<u>(805,859)</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, 2019

<u>Function and activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>
General government:			
Manager	\$ 7,813,131	5,045,438	279,642
Elections	-	-	-
Technical Services	-	1,786,616	-
Total general government	<u>7,813,131</u>	<u>6,832,054</u>	<u>279,642</u>
Public safety:			
Police	514,500	1,267,930	138,279
Fire	1,074,600	10,174,611	-
Inspectional Services	209,905	473,055	-
Communications	-	4,928,751	-
Total public safety	<u>1,799,005</u>	<u>16,844,347</u>	<u>138,279</u>
Health and human services:			
Health	-	42,177	-
Workforce investment board	-	-	-
Veteran's Services	-	-	171,428
Elder Affairs	385,000	1,432,175	12,956
Total health and human services	<u>385,000</u>	<u>1,474,352</u>	<u>184,384</u>
Public works	<u>3,489,339</u>	<u>72,715,783</u>	<u>111,428,057</u>
Education	<u>3,358,537</u>	<u>292,197,776</u>	<u>6,045,430</u>
Community development	<u>-</u>	<u>88,801</u>	<u>536,604</u>
Culture and recreation:			
Library	305,000	11,967,206	-
Auditorium	150,000	744,091	-
DCU Center	263,000	47,315,236	-
Hope Cemetery	290,000	1,015,525	162,067
Parks	5,224,177	3,631,007	56,737,609
Total culture and recreation	<u>6,232,177</u>	<u>64,673,065</u>	<u>56,899,676</u>
Total governmental activities capital assets	<u>\$ 23,077,189</u>	<u>454,826,178</u>	<u>175,512,072</u>

<b>Rolling equipment</b>	<b>Equipment and other</b>	<b>Infrastructure</b>	<b>Construction in progress</b>	<b>Total</b>
-	25,129	-	-	13,163,340
-	83,196	-	-	83,196
-	977,289	-	-	2,763,905
-	1,085,614	-	-	16,010,441
37,013	61,092	-	-	2,018,814
4,968,519	136,206	523,534	-	16,877,470
-	-	-	-	682,960
-	6,138,739	-	-	11,067,490
5,005,532	6,336,037	523,534	-	30,646,734
-	-	-	-	42,177
-	40,371	-	-	40,371
-	-	-	-	171,428
-	16,680	-	-	1,846,811
-	57,051	-	-	2,100,787
2,256,622	523,379	156,814,559	25,315,685	372,543,424
2,279,807	5,289,158	-	36,748,472	345,919,180
-	45,294	-	-	670,699
-	252,622	-	475,529	13,000,357
-	-	-	-	894,091
83,994	1,842,732	-	-	49,504,962
79,717	-	784,638	-	2,331,947
1,211,909	310,763	1,336,844	-	68,452,309
1,375,620	2,406,117	2,121,482	475,529	134,183,666
10,917,581	15,742,650	159,459,575	62,539,686	902,074,931

## 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, 2019

<b>Function and activity</b>	<b>Governmental activities capital assets July 1, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental activities capital assets June 30, 2019</b>
General government:				
Manager	\$ 12,311,748	1,153,415	301,823	13,163,340
Elections	138,660	-	55,464	83,196
Technical Services	2,935,405	196,306	367,806	2,763,905
Total general government	<u>15,385,813</u>	<u>1,349,721</u>	<u>725,093</u>	<u>16,010,441</u>
Public safety:				
Police	2,246,329	68,750	296,265	2,018,814
Fire	15,318,586	3,093,552	1,534,668	16,877,470
Inspectional Services	724,282	-	41,322	682,960
Communications	11,874,700	-	807,210	11,067,490
Total public safety	<u>30,163,897</u>	<u>3,162,302</u>	<u>2,679,465</u>	<u>30,646,734</u>
Health and human services:				
Health	44,734	-	2,557	42,177
Workforce investment board	67,286	-	26,915	40,371
Veteran's Services	180,693	-	9,265	171,428
Elder Affairs	2,114,037	-	267,226	1,846,811
Total health and human svc	<u>2,406,750</u>	<u>-</u>	<u>305,963</u>	<u>2,100,787</u>
Public works	350,837,297	44,667,942	22,961,815	372,543,424
Education	318,135,675	45,605,623	17,822,118	345,919,180
Community development	736,059	-	65,360	670,699
Culture and recreation:				
Library	13,169,202	475,529	644,374	13,000,357
Auditorium	1,030,726	-	136,635	894,091
DCU Center	52,962,766	891,348	4,349,152	49,504,962
Hope Cemetery	1,631,175	804,757	103,985	2,331,947
Parks	66,648,292	6,516,287	4,712,270	68,452,309
Total culture and recreation	<u>135,442,161</u>	<u>8,687,921</u>	<u>9,946,416</u>	<u>134,183,666</u>
Total governmental activities capital assets	<u>\$ 853,107,652</u>	<u>103,473,509</u>	<u>54,506,230</u>	<u>902,074,931</u>

**CITY OF WORCESTER, MASSACHUSETTS**  
 Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 434,855	481,332	(435,306)	480,881
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 1,929	3,225	(1,929)	3,225
Due to student groups	432,926	478,107	(433,377)	477,656
Total liabilities	\$ 434,855	481,332	(435,306)	480,881

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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.	
<b>Revenue Capacity</b>	179
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	188
These tables contain information to help the reader assess the affordability of the City’s current level of outstanding debt and the City’s ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	191
These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b>Operating Information</b>	194
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

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## CITY OF WORCESTER, MASSACHUSETTS

**Net Position by Component (1)**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2010	2011	2012	2013	2014 (2)	2015	2016	2017 (3)	2018	2019
<b>Governmental activities:</b>										
Net investment in capital assets (1)	\$ 236,864	280,669	288,776	310,299	333,718	361,677	402,433	433,725	441,004	469,471
Restricted	29,804	42,290	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836
Unrestricted	(208,915)	(230,791)	(232,785)	(254,054)	(608,267)	(640,192)	(693,216)	(1,184,168)	(1,247,332)	(1,325,449)
Total governmental activities net position	\$ <u>57,753</u>	<u>92,168</u>	<u>96,367</u>	<u>99,779</u>	<u>(219,554)</u>	<u>(222,337)</u>	<u>(234,539)</u>	<u>(688,876)</u>	<u>(740,535)</u>	<u>(785,142)</u>
<b>Business-type activities:</b>										
Net investment in capital assets (1)	\$ 120,990	87,708	87,856	86,123	86,648	88,675	90,920	84,896	86,281	85,721
Restricted	-	1,601	-	-	-	-	-	-	-	-
Unrestricted	7,978	8,344	10,776	11,024	(10,304)	(12,425)	(12,985)	(18,103)	(19,802)	(19,329)
Total business-type net position	\$ <u>128,968</u>	<u>97,653</u>	<u>98,632</u>	<u>97,147</u>	<u>76,344</u>	<u>76,250</u>	<u>77,935</u>	<u>66,793</u>	<u>66,479</u>	<u>66,392</u>
<b>Primary government:</b>										
Net investment in capital assets (1)	\$ 357,854	368,377	376,632	396,422	420,366	450,352	493,353	518,621	527,285	555,192
Restricted	29,804	43,891	40,376	43,534	54,995	56,178	56,244	61,567	65,793	70,836
Unrestricted	(200,937)	(222,447)	(222,009)	(243,030)	(618,571)	(652,617)	(706,201)	(1,202,271)	(1,267,134)	(1,344,778)
Total primary government net position	\$ <u>186,721</u>	<u>189,821</u>	<u>194,999</u>	<u>196,926</u>	<u>(143,210)</u>	<u>(146,087)</u>	<u>(156,604)</u>	<u>(622,083)</u>	<u>(674,056)</u>	<u>(718,750)</u>

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

## Changes in Net Position (1)

Accrual Basis of Accounting  
Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2010	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 20,862	21,026	21,552	24,652	49,096	23,721	29,353	48,401	47,038	33,886
Public safety	126,546	123,114	126,488	129,490	302,717	160,408	156,918	277,547	171,039	190,526
Health and human services	23,994	25,033	20,597	18,396	32,756	16,650	19,262	22,680	14,270	15,177
Education	425,765	432,824	435,526	451,582	548,011	424,350	480,201	792,154	527,848	555,917
Public works	33,387	37,435	39,584	40,387	57,769	47,280	41,955	66,303	56,693	57,070
Culture and recreation	20,018	17,528	21,535	21,756	35,211	27,461	26,351	31,747	28,858	31,662
Community development	6,118	7,926	4,399	1,820	4,256	4,063	6,562	7,028	5,975	8,952
Interest on debt	25,351	22,573	23,968	25,873	26,555	21,806	20,883	20,074	21,672	21,660
Total governmental activities expenses	682,041	687,459	693,649	713,956	1,056,371	725,739	781,485	1,265,934	873,393	914,850
Business-type activities:										
Water	25,638	24,911	24,388	25,734	39,096	27,391	26,785	33,730	28,063	29,511
Sewer	32,742	33,737	35,284	37,991	45,563	39,972	42,018	48,533	47,932	51,186
Airport	5,047	1,417	-	-	-	-	-	-	-	-
Golf course (nonmajor)	1,122	1,238	1,246	1,293	1,713	1,429	1,386	1,452	1,392	1,564
Total business-type expenses	64,549	61,303	60,918	65,018	86,372	68,792	70,189	83,715	77,387	82,261
Total primary government expenses	\$ 746,590	748,762	754,567	778,974	1,142,743	794,531	851,674	1,349,649	950,780	997,111
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 13,536	13,775	15,935	14,969	16,118	17,444	20,844	18,835	18,808	21,372
Public works	10,970	10,986	11,917	9,920	11,356	8,823	9,369	10,588	9,624	10,401
Other activities	8,443	9,738	8,823	8,752	8,770	8,623	8,579	8,709	7,523	12,139
Operating grants and contributions	348,563	368,157	363,538	365,227	374,157	342,932	363,557	387,555	393,634	409,107
Capital grants and contributions	28,084	32,916	10,691	23,252	15,562	24,528	29,007	34,946	24,198	34,627
Total governmental activities program revenues	409,596	435,572	410,904	422,120	425,963	402,350	431,356	460,633	453,787	487,646
Business-type activities:										
Charges for services:										
Water	24,102	25,946	27,002	26,838	28,243	28,360	29,278	30,250	29,588	29,928
Sewer	29,247	31,320	34,443	34,066	36,262	38,951	40,550	41,954	43,192	46,243
Airport	1,015	152	-	-	-	-	-	-	-	-
Golf course (nonmajor)	987	1,035	1,127	1,058	1,096	1,090	1,206	1,106	1,125	1,134
Operating grants and contributions	1,413	1,282	-	385	-	-	-	-	-	-
Capital grants and contributions	3,514	641	2,691	2,106	386	-	330	286	3,814	6,012
Total business-type activities program revenues	60,278	60,376	65,263	64,453	65,987	68,401	71,364	73,596	77,719	83,317
Total primary government program revenues	\$ 469,874	495,948	476,167	486,573	491,950	470,751	502,720	534,229	531,506	570,963

(continued)

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Net Position (1)**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2010	2011	2012	2013	2014 (2)	2015 (3)	2016	2017 (4)	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (272,445)	(251,887)	(282,745)	(291,836)	(630,408)	(323,389)	(350,129)	(805,301)	(419,606)	(427,204)
Business-type activities	(4,271)	(927)	4,345	(565)	(20,385)	(391)	1,175	(10,119)	332	1,056
Total primary government net (expense)/ revenue	\$ (276,716)	(252,814)	(278,400)	(292,401)	(650,793)	(323,780)	(348,954)	(815,420)	(419,274)	(426,148)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 205,558	215,511	225,460	233,206	247,313	257,423	271,801	275,979	288,275	297,653
Motor vehicle excise taxes	11,050	11,519	11,866	12,720	13,075	14,305	15,554	16,281	15,702	16,551
Intergovernmental	37,476	36,220	36,298	36,039	36,974	37,844	39,096	40,732	42,286	43,796
Other	9,505	12,809	9,886	11,730	13,227	11,244	11,883	16,788	15,501	19,636
Transfers (net)	(1,733)	13,250	3,366	920	418	(297)	(510)	1,023	646	1,143
Gain on sale of capital assets	-	-	-	564	-	-	-	-	-	-
Donations	47	48	68	69	68	87	103	160	225	507
Energy sales and rebates	-	-	-	-	-	-	-	-	5,312	3,311
Extraordinary item - transfer of airport debt	-	(3,055)	-	-	-	-	-	-	-	-
Total governmental activities	261,903	286,302	286,944	295,248	311,075	320,606	337,927	350,963	367,947	382,597
Business-type activities										
Transfers (net)	1,733	(13,250)	(3,366)	(920)	(418)	297	510	(1,023)	(646)	(1,143)
Loss on airport disposal	-	(20,193)	-	-	-	-	-	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	3,055	-	-	-	-	-	-	-	-
Total business-type activities	1,733	(30,388)	(3,366)	(920)	(418)	297	510	(1,023)	(646)	(1,143)
Total primary government	\$ 263,636	255,914	283,578	294,328	310,657	320,903	338,437	349,940	367,301	381,454
<b>Changes in Net Position</b>										
Governmental activities	\$ (10,542)	34,415	4,199	3,412	(319,333)	(2,783)	(12,202)	(454,338)	(51,659)	(44,607)
Business-type activities	(2,538)	(31,315)	979	(1,485)	(20,803)	(94)	1,685	(11,142)	(314)	(87)
Total primary government	\$ (13,080)	3,100	5,178	1,927	(340,136)	(2,877)	(10,517)	(465,480)	(51,973)	(44,694)

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

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

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

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

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

(Concluded)

## CITY OF WORCESTER, MASSACHUSETTS

**Governmental Activities - Tax Revenues by Source**

Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Total
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
2016	271,801	15,554	2,322	3,466	27	875	294,045
2017	275,979	16,281	2,636	3,600	77	734	299,307
2018	288,275	15,702	2,837	3,988	25	775	311,602
2019	297,653	16,551	3,287	4,012	25	605	322,133

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

## CITY OF WORCESTER, MASSACHUSETTS

**Fund Balances of Governmental Funds**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019
General fund:										
Unreserved	\$ 12,029	-	-	-	-	-	-	-	-	-
Restricted	-	1,070	1,444	2,652	7,020	8,425	8,896	11,753	15,009	17,430
Unassigned	-	17,758	25,520	27,869	27,870	26,823	34,652	40,383	42,377	47,971
Total general fund	\$ <u>12,029</u>	<u>18,828</u>	<u>26,964</u>	<u>30,521</u>	<u>34,890</u>	<u>35,248</u>	<u>43,548</u>	<u>52,136</u>	<u>57,386</u>	<u>65,401</u>
All other governmental funds:										
Reserved	\$ 24,963	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	18,098	-	-	-	-	-	-	-	-	-
Capital projects funds	4,752	-	-	-	-	-	-	-	-	-
Permanent funds	89	-	-	-	-	-	-	-	-	-
Nonspendable	-	14,215	13,918	15,579	11,961	12,935	13,062	15,686	15,626	16,022
Restricted	-	37,287	31,849	32,228	38,863	39,153	37,378	38,880	35,955	55,318
Committed	-	22,673	29,057	35,896	39,734	40,025	38,925	37,788	44,116	45,801
Unassigned	-	(11,518)	(35,686)	(38,492)	(41,479)	(36,088)	(53,372)	(83,752)	(31,846)	(36,013)
Total all other governmental funds	\$ <u>47,902</u>	<u>62,657</u>	<u>39,138</u>	<u>45,211</u>	<u>49,079</u>	<u>56,025</u>	<u>35,993</u>	<u>8,602</u>	<u>63,851</u>	<u>81,128</u>

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

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Fund Balances of Governmental Funds**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>REVENUES</b>										
Property taxes	\$ 204,832	216,370	225,501	233,327	246,742	256,652	271,977	276,746	289,195	296,190
Motor vehicle excise taxes	11,551	11,311	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631
Other taxes and in-lieu payments	5,539	6,365	6,015	6,064	6,559	6,872	7,303	7,596	8,336	8,492
Penalties and interest on taxes	2,272	2,285	2,872	2,532	2,440	2,107	2,530	2,315	2,049	2,329
Licenses and permits	4,890	4,865	5,210	4,992	5,274	5,795	6,388	6,713	6,943	6,736
Intergovernmental (1)	423,208	445,106	417,838	425,047	434,696	380,721	392,272	407,424	396,952	426,783
Charges for services	22,847	23,539	24,988	24,106	24,123	24,137	28,418	25,746	26,097	33,144
Fines and forfeitures	3,190	2,806	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388
Investment earnings (losses)	1,598	2,543	(35)	2,116	3,107	567	930	3,228	2,219	5,331
Donations	3,633	5,528	4,677	11,396	5,997	5,059	5,120	4,753	5,589	2,836
Contributions to permanent funds	47	48	68	69	69	87	103	160	225	507
Energy sales and rebates	-	-	-	-	-	-	-	-	5,312	3,311
Miscellaneous	1,621	89	1,723	1,452	1,845	2,259	1,733	4,197	3,608	4,048
Total revenues	685,228	720,855	703,590	726,538	747,284	701,618	734,704	757,311	765,165	808,726
<b>EXPENDITURES</b>										
General government	15,308	15,936	28,650	31,911	25,559	24,574	39,609	53,943	31,560	26,376
Public safety (2)	89,308	90,395	94,006	93,314	96,604	97,773	114,414	109,885	109,581	116,991
Health and human services	21,118	22,499	17,788	15,547	14,872	13,619	15,810	18,355	12,160	11,785
Education (3)	297,701	302,392	299,134	296,957	316,669	313,239	337,664	351,885	357,957	385,801
Public works	39,087	53,773	55,072	61,137	53,607	61,059	62,248	49,887	44,103	69,871
Culture and recreation	20,952	17,402	16,758	26,590	35,534	22,027	19,826	19,364	29,924	24,088
Fringe benefits (1)	138,899	147,319	143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188
Community development	6,118	7,926	4,399	1,820	4,256	4,064	7,153	7,273	5,917	8,887
State & regional charges	26,865	28,255	29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275
Debt service:										
Principal	36,637	38,813	36,747	36,746	37,922	54,979	46,974	45,917	45,743	48,459
Interest	24,827	24,023	26,890	27,269	27,964	23,825	23,583	22,677	24,196	24,819
Total expenditures	716,820	748,733	752,692	770,607	800,933	749,399	804,179	820,176	798,110	863,540
Excess of revenues (under) expenditures	(31,592)	(27,878)	(49,102)	(44,069)	(53,649)	(47,781)	(69,475)	(62,865)	(32,945)	(54,814)

(continued)

## CITY OF WORCESTER, MASSACHUSETTS

**Changes in Fund Balances of Governmental Funds**

(Modified Accrual Basis of Accounting)

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 21,954	51,549	27,305	27,117	25,473	33,917	41,360	22,520	28,485	28,675
Transfers (out)	(23,686)	(38,299)	(23,832)	(26,197)	(25,055)	(34,215)	(41,870)	(21,497)	(27,839)	(27,532)
Premium on issuance of bonds and notes	820	804	479	3,789	3,366	4,081	3,988	4,362	6,778	3,186
Sale of capital assets	29	478	-	840	-	-	-	-	-	-
Premium from issuance of refunding bonds	-	-	-	300	-	2,305	2,314	612	1,549	-
Issuance of refunding bonds	-	-	7,422	3,015	-	7,407	9,439	8,892	23,233	-
Issuance of bonds and notes	25,955	34,900	29,867	48,150	52,492	41,589	44,280	38,677	84,369	70,718
Payment to refunded bond escrow agent	-	-	(7,521)	(3,315)	-	-	(9,439)	(9,504)	(24,781)	-
Capital lease	-	-	-	-	5,609	-	7,671	-	1,650	5,059
Total other financing sources (uses), net	<u>25,072</u>	<u>49,432</u>	<u>33,720</u>	<u>53,699</u>	<u>61,885</u>	<u>55,084</u>	<u>57,743</u>	<u>44,062</u>	<u>93,444</u>	<u>80,106</u>
Net change in fund balances	\$ <u>(6,520)</u>	<u>21,554</u>	<u>(15,382)</u>	<u>9,630</u>	<u>8,236</u>	<u>7,303</u>	<u>(11,732)</u>	<u>(18,803)</u>	<u>60,499</u>	<u>25,292</u>
Debt service as a percentage of noncapital expenditures	9.3%	9.2%	9.2%	9.1%	9.1%	11.4%	10.1%	9.6%	9.6%	9.6%

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

(2) Public safety in fiscal 2016 includes an adjustment to expenditures for radio equipment acquired under a capital lease in the amount of \$7,671.

(3) In fiscal year 2014, 2018 and 2019 education expenditure includes acquisition of capital assets with a capital lease totaling \$5,609, \$1,650, and \$5,059, respectively.

(Concluded)

## CITY OF WORCESTER, MASSACHUSETTS

**Governmental Funds Tax Revenues by Source**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Special Assessments (1)	Total
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
2016	271,977	15,346	2,322	3,466	27	875	613	294,626
2017	276,746	16,027	2,636	3,600	77	734	549	300,369
2018	289,195	16,139	2,837	3,988	25	775	711	313,670
2019	296,190	16,631	3,287	4,012	25	605	563	321,313

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

**General Fund Expenditures**  
Modified Accrual Basis of Accounting  
Year Ended June 30, 2019

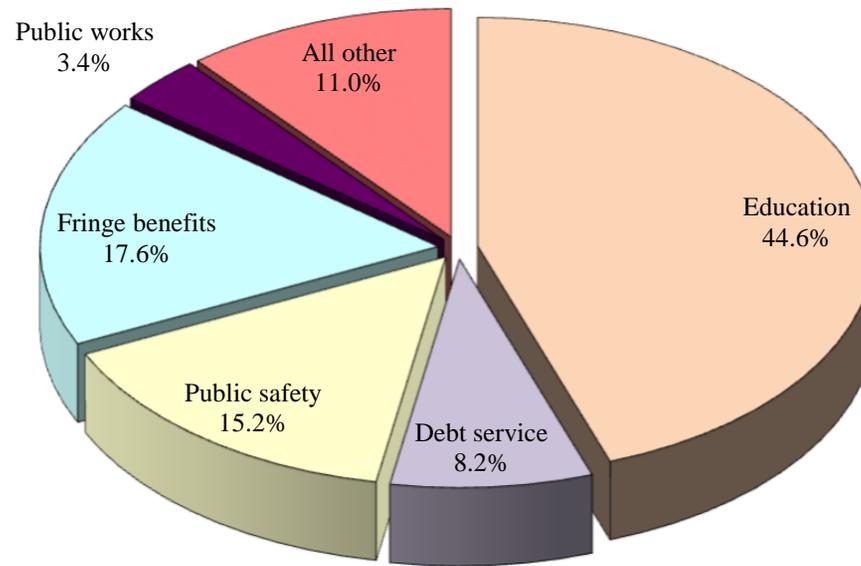


Table 7

## CITY OF WORCESTER, MASSACHUSETTS

**General Fund Expenditures**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(amounts expressed in *thousands*)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	\$ 12,749	13,730	14,598	15,570	16,809	17,930	18,396	19,374	22,634	21,508
Public safety (1)	76,689	74,931	77,812	80,413	82,546	83,930	95,321	93,297	93,491	97,693
Health and human services (2)	575	675	764	926	730	860	3,196	3,652	3,599	3,893
Education (3)	198,001	205,918	222,923	235,106	250,819	247,223	259,527	260,466	279,177	287,372
Public works	18,096	18,255	18,030	18,995	19,740	20,758	18,673	22,755	22,442	22,180
Culture and recreation	7,955	7,807	8,123	8,467	8,951	9,385	9,714	10,445	11,861	12,001
Fringe benefits (4)	138,899	147,319	143,722	148,073	157,319	103,581	105,732	109,888	105,265	113,188
State and regional charges	26,865	28,254	29,526	31,243	30,627	30,659	31,166	31,102	31,704	33,275
Debt service	46,853	47,095	47,067	47,510	48,996	52,677	52,672	50,749	50,968	52,680
Totals	\$ <u>526,682</u>	<u>543,984</u>	<u>562,565</u>	<u>586,303</u>	<u>616,537</u>	<u>567,003</u>	<u>594,397</u>	<u>601,728</u>	<u>621,141</u>	<u>643,790</u>

(1) Public safety in fiscal 2016 includes an adjustment to expenditures for radio equipment acquired under a capital lease in the amount of \$7,671.

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

(3) Education in fiscal 2014, 2018 and 2019 includes adjustments to expenditures for equipment acquired under capital leases of \$5,609, \$1,650 and \$5,059, respectively.

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

**General Fund Revenues**  
Modified Accrual Basis of Accounting  
Year Ended June 30, 2019

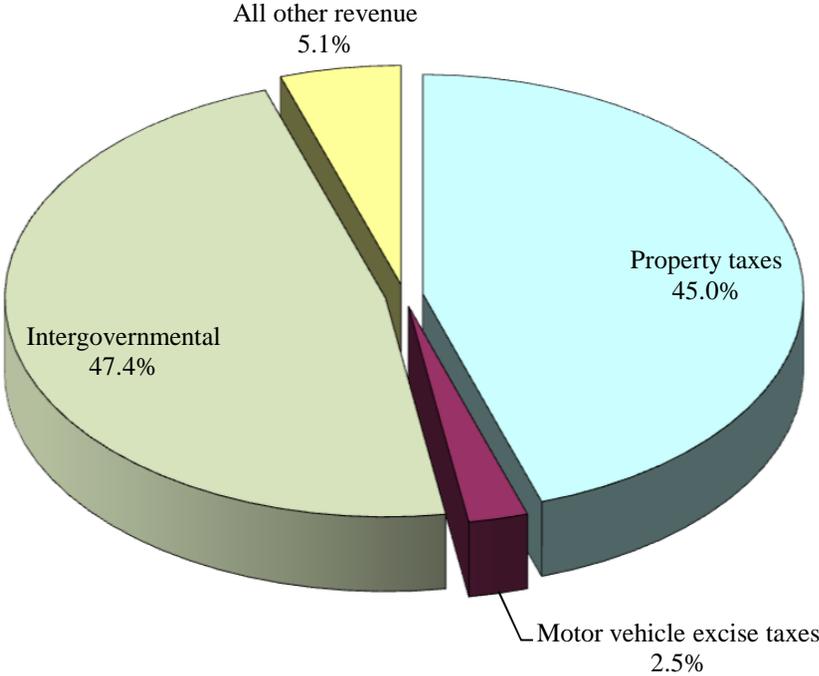


Table 8

CITY OF WORCESTER, MASSACHUSETTS

**General Fund Revenues**

Modified Accrual Basis of Accounting

Last Ten Fiscal Years

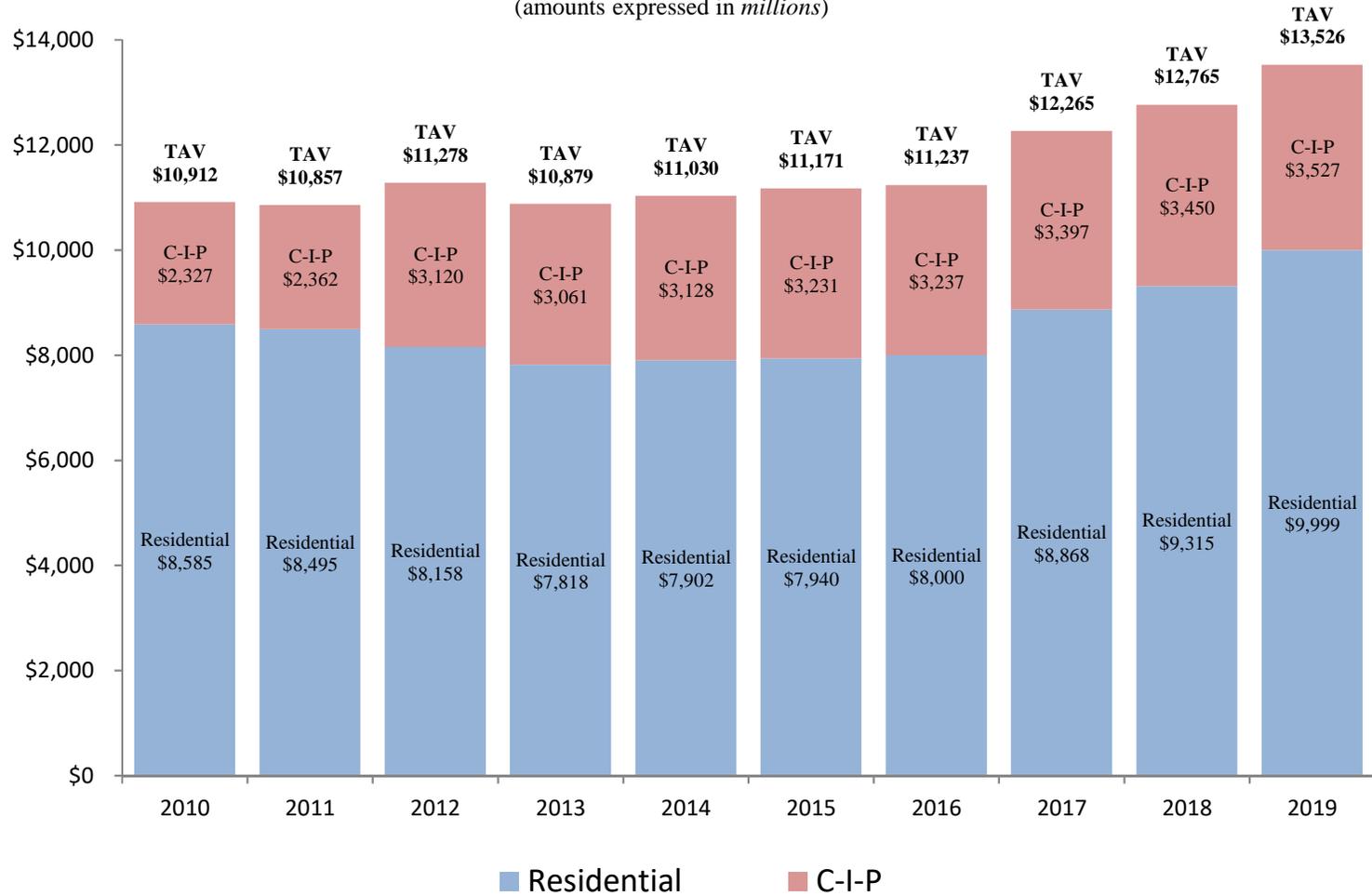
(amounts expressed in *thousands*)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Property taxes	\$ 204,832	216,370	225,501	233,328	246,742	256,652	271,977	276,746	289,195	296,190
Motor vehicle excise taxes	11,550	11,311	11,888	12,843	13,281	14,265	15,346	16,027	16,139	16,631
Other taxes and in-lieu payments	3,208	4,934	4,440	4,413	4,804	4,777	5,083	5,270	5,818	6,112
Penalties and interest on taxes	2,272	2,285	2,872	2,532	2,440	2,107	2,530	2,316	2,049	2,329
Licenses and permits	4,890	4,865	5,210	4,992	5,274	5,795	6,388	6,713	6,944	6,736
Intergovernmental (1)	303,512	306,267	321,719	332,726	342,950	278,742	291,662	297,397	301,850	312,312
Charges for services	5,909	5,939	5,814	5,746	5,683	5,566	5,800	5,866	5,932	7,277
Fines and forfeitures	3,190	2,806	2,845	2,594	3,151	3,097	2,584	2,406	2,501	2,388
Investment earnings	105	68	100	318	484	554	1,005	1,097	1,570	4,046
Energy sales and rebates	-	-	-	-	-	-	-	-	1,718	1,891
Miscellaneous	1,438	1,429	1,318	1,112	1,246	1,727	1,368	2,998	2,699	3,017
Totals	\$ <u>540,906</u>	<u>556,274</u>	<u>581,707</u>	<u>600,604</u>	<u>626,055</u>	<u>573,282</u>	<u>603,743</u>	<u>616,836</u>	<u>636,415</u>	<u>658,929</u>

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

**Taxable Assessed Valuations (TAV)**

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



C-I-P = Commercial, Industrial, Pers. Prop.

## 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								
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	20.33	11,928,304	94.55	4,460,004	15,737,620	28.34
2013	7,817,607	2,477,244	584,005		10,878,856	22.03	12,173,645	89.36	4,419,631	15,298,487	28.89
2014	7,902,180	2,535,314	592,517		11,030,011	22.74	12,173,645	90.61	4,920,225	15,950,236	30.85
2015	7,940,489	2,529,870	700,912		11,171,271	23.44	11,615,944	96.17	4,945,157	16,116,428	30.68
2016	8,000,021	2,483,143	753,717		11,236,881	24.46	11,615,944	96.74	4,948,796	16,185,677	30.58
2017	8,868,132	2,622,986	774,345		12,265,463	23.02	12,237,662	100.23	5,621,707	17,887,170	31.43
2018	9,314,530	2,682,894	767,225		12,764,649	23.00	12,237,662	104.31	5,691,420	18,456,069	30.84
2019	9,999,308	2,725,907	800,600		13,525,815	22.41	13,336,463	101.42	5,704,513	19,230,328	29.66

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

**Table 10**

**CITY OF WORCESTER, MASSACHUSETTS**

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

Last Ten Fiscal Years

<b>Fiscal Year</b>		<b>Residential Real Property</b>	<b>Commercial and Industrial Real Property</b>	<b>Personal Property</b>	<b>Total Direct (3)</b>
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	20.33
2013		18.58	30.85	30.85	22.03
2014		19.54	30.83	30.83	22.74
2015		20.07	31.73	31.73	23.44
2016		20.61	33.98	33.98	24.46
2017		19.22	32.93	32.93	23.02
2018		18.91	34.03	34.03	23.00
2019		18.00	34.90	34.90	22.41

Source: Assessing Department

(1) Rates are applicable to each \$1,000 of assessed value.

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property (Levy Ceiling). The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000.

**Table 11**

**CITY OF WORCESTER, MASSACHUSETTS**

**Property Tax Levies and Collections**

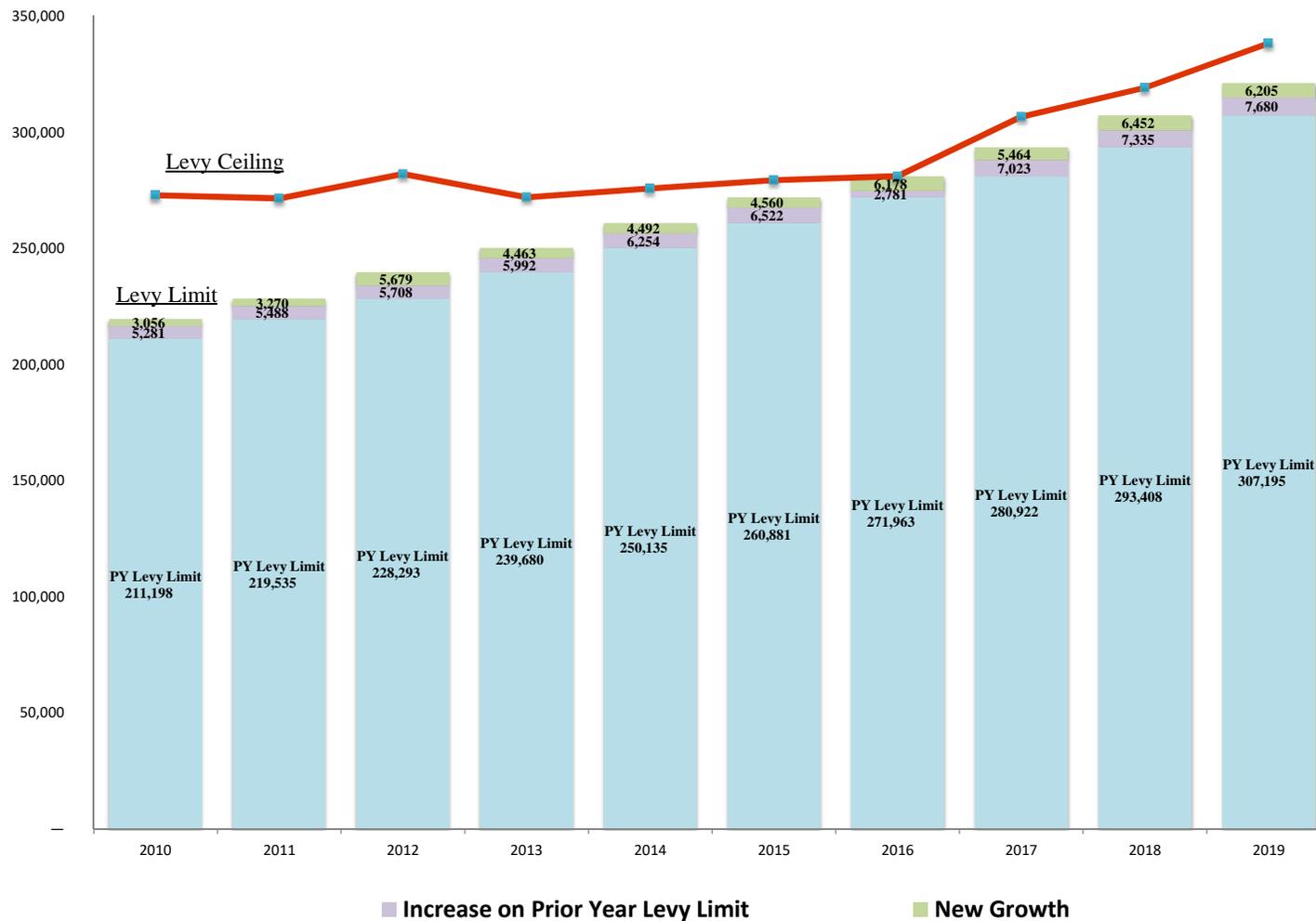
Last Ten Fiscal Years

(amounts expressed in *thousands*)

<b>Fiscal Year</b>	<b>Tax levy net of exemptions and abatements</b>	<b>Collected within the fiscal year of the levy</b>		<b>Net collections in subsequent years</b>	<b>Total collections to date</b>	
		<b>Amount</b>	<b>Percentage of net levy</b>		<b>Amount</b>	<b>Percentage of levy</b>
2010	\$ 205,056	199,535	96.34%	\$ 5,521	205,056	100.00%
2011	215,790	210,277	97.45	5,268	215,545	99.89
2012	223,201	220,352	98.72	1,998	222,350	99.62
2013	236,223	230,540	97.59	3,839	234,379	99.22
2014	246,942	241,606	97.84	3,536	245,142	99.27
2015	256,138	252,256	98.48	3,870	256,126	100.00
2016	271,896	267,287	98.30	3,260	270,547	99.50
2017	279,245	273,712	98.02	3,490	277,202	99.27
2018	291,310	284,772	97.76	4,603	289,375	98.10
2019	301,953	294,321	97.47	-	294,321	97.47

### Increase in the Levy Limit

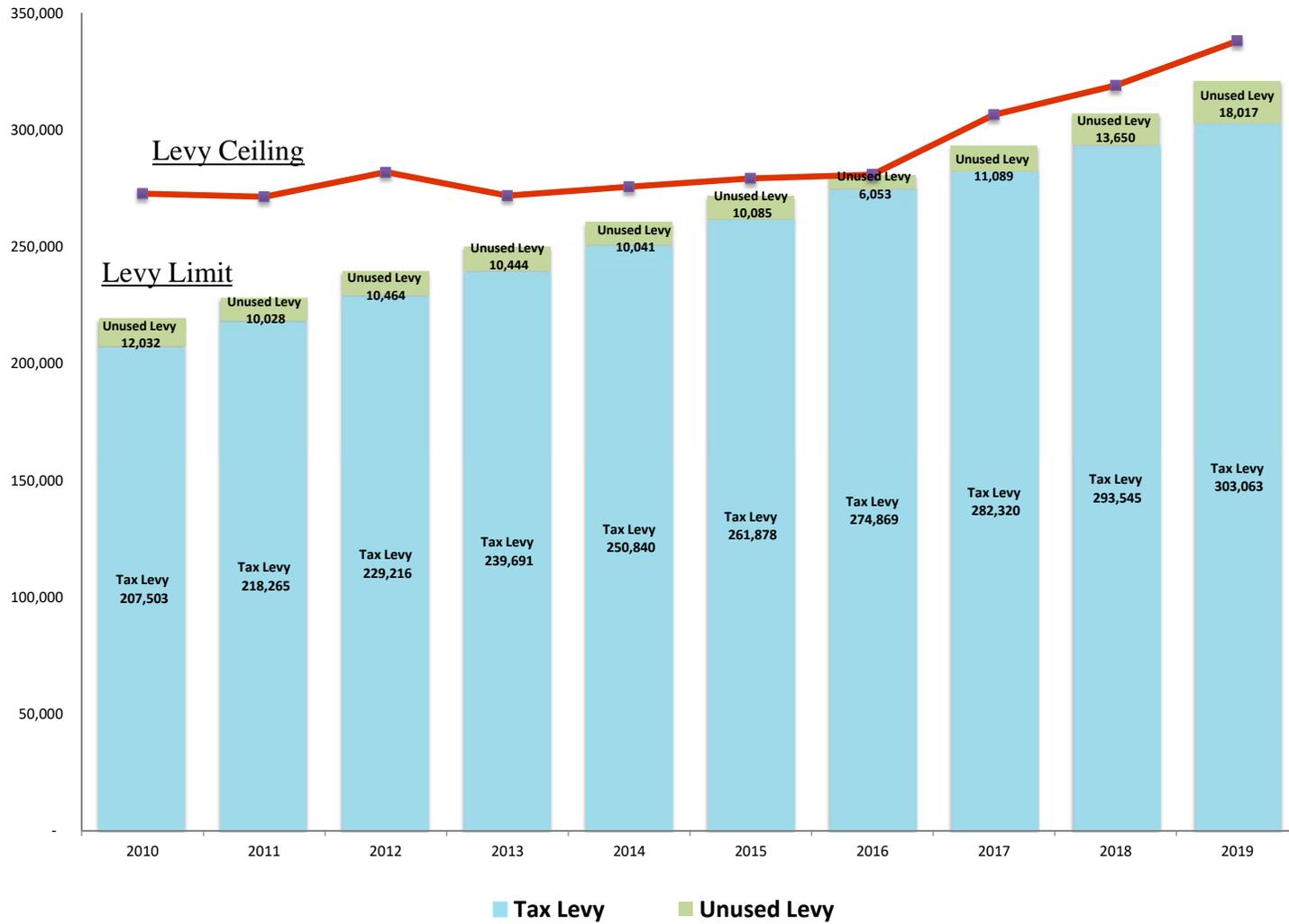
Last Ten Fiscal Years  
(amounts expressed in *thousands*)



Proposition 2 ½ places constraints on the amount of the tax levy raised by the city. First, the city cannot levy more than 2.5 percent of the taxable assessed value (levy ceiling). Second, the city is also constrained by how much the levy can be increased from year to year (levy limit). The levy limit is limited to 2 ½ percent of the prior year levy limit plus new growth, certain exclusions and voter overrides and may not exceed the levy ceiling.

### Tax Levy and Unused Levy Capacity

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



The amount of the levy limit above the actual tax levy is the unused levy capacity.

CITY OF WORCESTER, MASSACHUSETTS

**Principal Taxpayers - Current Year and Nine Years Ago**

June 30, 2019

(amounts expressed in *thousands*)

Taxpayer	Type of business	2019				2010			
		Assessed valuation	Rank	Fiscal 2019 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2010 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 435,824	1	15,188	5.0 %	\$ 142,558	1	4,744	2.3 %
NSTAR Gas Co.	Gas utility	195,625	2	6,827	2.3	53,083	4	1,767	0.9
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	147,930	3	5,163	1.7	44,871	7	1,493	0.7
V3B SA LLC (Lincoln Plaza)	Shopping plaza	65,505	4	2,286	0.8	52,952	5	1,763	0.9
Worcester TC LLC (Abbvie)	Biotechnology park	61,324	5	2,140	0.7	42,479	8	1,414	0.7
Hanover Insurance Group	Insurance	60,434	6	2,109	0.7	50,952	6	1,676	0.8
Front Street Associates LLC	Real Estate	44,308	7	1,546	0.5	N/A	N/A	N/A	N/A
RK Worcester Crossing LLC	Real Estate	43,136	8	1,506	0.5	N/A	N/A	N/A	N/A
Verizon New England	Communications	41,345	9	1,442	0.5	54,440	2	1,812	0.9
HCRI Massachusetts Properties Trust	Real Estate	48,500	10	1,171	0.4	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (CitySquare)	Real Estate	N/A	N/A	N/A	N/A	35,084	9	1,167	0.6
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	N/A	N/A	N/A	N/A	32,390	10	1,078	0.5
Alexandria Real Estate Equities	Biotechnology park	N/A	N/A	N/A	N/A	54,378	3	1,810	0.9
Totals		<u>\$ 1,143,931</u>		<u>\$ 39,378</u>	<u>13.1 %</u>	<u>\$ 563,187</u>		<u>\$ 18,724</u>	<u>9.2 %</u>

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

Source: Assessor's department

Table 13

## CITY OF WORCESTER, MASSACHUSETTS

## Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

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

Fiscal Year	Governmental activities			Business-type activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Section 108 Note	Capital Leases	General Obligation Bonds (1)	Sewer Notes			
2010	\$ 466,464	4,608	-	126,375	819	598,266	13.65%	\$ 3,305
2011	465,688	4,505	-	125,346	774	596,313	13.62	3,313
2012	458,847	4,396	-	123,850	1,693	588,786	13.29	3,262
2013	472,522	4,283	-	135,543	1,645	613,993	13.83	3,383
2014	489,322	4,164	5,048	137,315	1,480	637,329	14.40	3,504
2015	490,070	2,216	3,987	140,743	1,950	638,966	14.32	3,501
2016	491,428	2,085	10,564	139,861	2,882	646,820	14.36	3,527
2017	484,176	1,947	9,198	145,222	5,309	645,852	13.94	3,516
2018	527,038	1,802	8,846	148,520	5,038	691,244	14.24	3,742
2019	548,761	1,718	11,811	160,019	4,763	727,072	14.50	3,911

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 U.S. Census Bureau: American Community Survey estimates (see table 16)

## CITY OF WORCESTER, MASSACHUSETTS

**Ratio of General Bonded Debt Outstanding**

Last Ten Fiscal Years

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

<b>Fiscal year</b>	<b>General Obligation Bonds (1)</b>	<b>Percentage of Assessed Value (2)</b>	<b>Total Per capita (3)</b>
2010	\$ 592,839	5.43%	\$ 3,275
2011	591,034	5.44	3,284
2012	582,697	5.17	3,228
2013	608,065	5.59	3,351
2014	626,637	5.68	3,445
2015	630,813	5.65	3,456
2016	631,289	5.62	3,442
2017	629,398	5.13	3,427
2018	675,558	5.29	3,657
2019	708,780	5.24	3,813

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 U.S. Census Bureau: American Community Survey estimates (see table 16)

Table 15

CITY OF WORCESTER, MASSACHUSETTS

**Legal Debt Margin**

Last Ten Fiscal Years

(amounts expressed in *thousands* )

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 691,359	596,415	596,415	608,682	608,682	580,797	580,797	611,883	611,883	666,823
Total net debt applicable to limit *	263,915	342,654	320,926	340,605	447,418	430,622	473,826	417,579	461,646	471,775
Legal debt margin	\$ <u>427,444</u>	<u>253,761</u>	<u>275,489</u>	<u>268,077</u>	<u>161,264</u>	<u>150,175</u>	<u>106,971</u>	<u>194,304</u>	<u>150,237</u>	<u>195,048</u>
Total net debt applicable to the limit as a percentage of debt limit	38.17%	57.45%	53.81%	55.96%	73.51%	74.14%	81.58%	68.24%	75.45%	70.75%

**Legal Debt Margin Calculation for Fiscal Year 2019**

Equalized valuation - real estate and personal property (January 1, 2018)	\$ 13,336,463	
Debt limit - 5% of equalized valuation		666,823
Total bonded debt (including authorized and unissued of \$814,983)	\$ 1,498,916	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(470,606)
Less bonded debt authorized but not yet issued which is outside the debt limit		<u>(556,535)</u>
Legal debt margin		<u>\$ 195,048</u>

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

Table 16

## CITY OF WORCESTER, MASSACHUSETTS

## Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Income	Personal Income (amounts expressed in thousands) (6)	Median Age	Public School Enrollment (7)	City's Unemployment Rate (8)
2010	181,045 (1)	\$ 24,213 (4)	4,383,643	33.4 (1)	23,281	10.2 %
2011	179,994 (2)	24,326 (4)	4,378,534	34.1 (2)	23,490	9.4
2012	180,519 (2)	24,544 (4)	4,430,658	34.3 (2)	24,360	8.8
2013	181,473 (2)	24,470 (4)	4,440,644	34.0 (2)	24,740	9.1
2014	181,901 (2)	24,330 (4)	4,425,651	33.6 (2)	24,562	7.6
2015	182,511 (2)	24,447 (4)	4,461,846	33.5 (2)	25,254	6.5
2016	183,382 (2)	24,555 (4)	4,502,945	33.8 (2)	25,076	5.0
2017	183,677 (2)	25,224 (4)	4,633,069	34.0 (2)	25,479	5.0
2018	184,743 (2)	26,283 (4)	4,855,600	34.2 (2)	25,306	4.9
2019	185,883 (3)	26,973 (5)	5,013,822	34.9 (3)	25,415	4.0

(1) Source: U.S. Census Bureau: 2010 census

(2) Source: U.S. Census Bureau: American Community Survey (ACS) *demographic and housing 5 yr estimates*(3) Source: U.S. Census Bureau: American Community Survey (ACS) *demographic and housing 1 yr estimate*(4) Source: ACS *per capita income in past 12 months 5 yr estimates*(5) Source: ACS *per capita income in past 12 months 1 yr estimate*

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

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

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

Table 17

## CITY OF WORCESTER, MASSACHUSETTS

**Full Time Employees**

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	176	167	175	181	194	189	195	193	197	201
Public safety										
Police										
Officers	415	409	418	426	441	427	441	461	447	461
Civilians	49	49	49	49	51	52	50	51	50	51
Fire										
Officers	385	399	413	393	407	386	391	404	403	409
Civilians	8	8	10	9	10	10	10	10	10	10
Other public safety	110	105	110	112	114	111	113	111	103	108
Health and human services	53	54	55	56	57	53	63	67	62	72
Education	3,446	3,478	3,456	3,499	3,552	3,565	3,637	3,667	3,727	3,863
Public works	174	163	158	168	171	172	169	173	172	164
Culture and recreation	125	117	115	122	130	135	134	141	140	142
Water	109	102	100	107	109	111	102	104	108	99
Sewer	59	52	50	51	53	51	47	52	52	54
Airport	17	20	—	—	—	—	—	—	—	—
Golf course (nonmajor)	2	2	2	2	2	2	2	2	2	2
Totals	<u>5,128</u>	<u>5,125</u>	<u>5,111</u>	<u>5,175</u>	<u>5,291</u>	<u>5,264</u>	<u>5,354</u>	<u>5,436</u>	<u>5,473</u>	<u>5,636</u>

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	2019			2010		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care, Inc.	Healthcare	11,491	1	10.85%	13,764	1	18.37%
City of Worcester	Government and education	5,636	2	5.32	5,128	3	6.84
Umass Medical School	Education	4,339	3	4.10	5,678	2	7.58
Reliant Medical Group	Healthcare	2,681	4	2.53	N/A	N/A	N/A
Saint Vincent Hospital	Healthcare	2,450	5	2.31	2,386	4	3.18
The Hanover Insurance Group, Inc.	Insurance	1,800	6	1.70	1,850	5	2.47
Saint Gobain Abrasives, Inc.	Abrasives manufacturer	1,500	7	1.42	1,807	6	2.41
Seven Hills Foundation, Inc.	Health and human services	1,367	8	1.29	N/A	N/A	N/A
Worcester Polytechnic School	Education	1,328	9	1.25	N/A	N/A	N/A
College of Holy Cross	Education	1,147	10	1.08	1,107	9	1.48
Fallon Health, Inc.	Healthcare	N/A	N/A	N/A	1,801	7	2.40
Polar Beverages	Bottling company	N/A	N/A	N/A	1,400	8	1.87
Quinsigamond Community College	Education	N/A	N/A	N/A	900	10	1.20

Sources: 2019 - Worcester Business Journal book of lists  
 2010 - Worcester Business Journal

Table 19

## CITY OF WORCESTER, MASSACHUSETTS

## Operating Indicators by Function

Last Ten Calendar Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police</b>										
Total arrests	8,658	7,584	7,174	6,785	7,385	8,124	6,254	5,964	6,084	5,358
Different individuals arrested	6,584	5,837	5,591	5,204	5,627	5,935	4,847	4,439	4,438	3,985
Arrests for selected charges										
Drug-related	2,582	844 (2)	705	719	850	762	655	769	799	683
Assault and battery	704	1,465 (2)	1,409	1,309	1,327	1,266	952	863	814	693
Disorderly conduct, disturbing peace	1,210	1,222	1,054	920	916	888	672	626	590	563
Prostitution and related	223	133	156	121	181	160	86	150	51	134
Sexual assault, including rape	39	38	20	28	28	23	22	32	25	34
Armed robbery	43	59	70	47	64	48	38	39	45	29
Murder/manslaughter, attempted murder	12	10	15	15	7	11	3	4	3	1
<b>Fire (source: WFD)</b>										
Total Incidents	29,002	27,605	27,782	28,348	28,333	30,099	31,933	33,373	33,162	33,485
Selected incidents										
EMS	18,167	20,285	19,654	20,472	20,307	21,707	22,779	24,408	24,117	22,767
Structure fires	828	732	728	845	779	799	828	829	855	968
Arson fires	37	25	30	43	29	18	19	19	16	21
Vehicle fires	120	96	123	102	82	78	91	94	71	93
Good intent	1,665	1,571	1,621	1,819	2,137	2,127	2,165	1,959	2,190	2,356
False alarm	3,849	2,926	3,177	2,871	3,017	3,070	3,214	3,287	3,148	3,627
<b>Highways and streets (source: DPW)</b>										
Streets and resurfacing	14	11	11	16	21	12	12	19	19	not available
Potholes repaired	12,030	14,932	12,954	9,392	9,264	12,320	18,095	27,706	12,154	not available
<b>Sanitation</b>										
Refuse collected (tons/day)	88.65	82.30	81.83	81.71	79.30	79.22	80.97	83.93	83.37	not available
Recyclable collected (tons/day)	33.97	34.71	36.1	35.42	36.4	37.13	37.91	39.58	39.26	not available
<b>Water</b>										
New connections	188	48	95	104	97	98	109	103	121	121
Water main breaks	72	52	74	29	55	42	80	48	42	37
Average daily consumption (thousands of gallons)	22,264	21,225	22,099	22,539	22,110	21,700	22,682	22,945	21,707	20,450
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	34,600	31,160	26,550	33,000	25,200	22,300	25,060	24,576	24,109	23,310

Source: Various government departments.

Table 20

## CITY OF WORCESTER, MASSACHUSETTS

## Capital Asset Statistics by Function

June 30, 2019

## Function

Education:

Schools	46
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Culture and recreation

Libraries	4
Parks	61
Parks and playground acreage	1,327
Municipal cemeteries	1
Lakes	2
DCU Center	
Arena seating capacities	
Center stage	14,595
End stage	14,524
Basketball	13,270
Hockey with open curtain	12,167
Hockey with closed curtain	5,464
Ice show	12,194
Convention	
Exhibition halls	2
Ballrooms	2
Lounges	2
Other meeting rooms	5

Public safety

Police stations	1
Fire stations	10

Public works

Streets:	
Streets (miles)	436
Sidewalks (miles)	488
Streetlights	13,783
Water:	
Main pipes (miles)	631
Fire hydrants	5,880
Reservoirs	10
Reservoir gallons of capacity (in thousands)	7,379,938
Sewers:	
Sanitary sewers (miles)	399
Combined sewers (miles)	61
Surface sewers (miles)	372
Municipal parking garages:	
Capacity - cars	
Pearl Elm	819
Federal Plaza	511
Major Taylor Boulevard	983
Union Station (1)	500
Worcester Common (1)	500

Source: Various government departments

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# **GLOSSARY**

## **GLOSSARY**

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

**Accrual Basis of Accounting** – Under the accrual basis of accounting, revenues are recognized when earned and expected to be realized rather than when received or currently available. Expenses are recognized in the period they are incurred rather than when paid. The matching of expenses incurred in the same period as when revenues are earned provides a consistent measurement of the change in the net position that is not influenced solely by the timing of cash inflows or outflows (Exhibit 2 of CAFR). The measurement focus is based on economic resources which have a longer view than the current resources measurement used in the Governmental Funds Financial Statements. Consequently assets, liabilities and deferred inflows/outflows of resources are reported on the Statement of Net Position (Exhibit 1) that is not reported on the Governmental Funds Balance Sheet (Exhibit 3).

**Accrued Liabilities** – Accrued liabilities represent expenses incurred but not paid at year end. The adjustment of the liability and corresponding expense is a step in the accrual basis of accounting to match the expense incurred to the period being reported. The liability and expense adjustments are made to the Government-Wide Financial statements in Exhibit 1 and Exhibit 2, respectively. The accrued liabilities included in the City’s financial statement include accrued interest on debt and estimated health insurance claims incurred during the year but reported and processed after year-end.

**Basic Financial Statements** – The Basic Financial Statements is a series of financial statements, required by GASB, grouped as Government-Wide Financial Statements (CAFR Exhibit 1 and 2) and Fund Financial Statements (Exhibits 3 through 11) and the related footnotes (CAFR pp 46 - 126). Each statement uses a prescribed basis of accounting and measurement focus.

**Budgetary Basis of Accounting** – The General Fund in the City’s accounting system is accounted for using the Budgetary Basis of accounting which is essentially a modified cash basis for revenue and encumbrance system for expenses, the purpose of which is to match the expenditure with the budget period as required by state law. Revenue is reported as collected with accruals for some reimbursable state and federal funds. Expenses are matched against the budget year through warrant payables and a reserve for encumbrances. The report on the General Fund using the Budgetary Basis, a required supplementary report by GASB, is reported in the CAFR on pages 128 through 135.

**Capital Assets** – Capital assets are included on the Statement of Net Position in the Government-Wide Financial Statements (Exhibit 1). These are assets that provide an economic resource over a longer term, generally with a life of over two years and a cost of \$50,000 or more. Capital assets include both depreciable assets (building construction and improvements, infrastructure, equipment, trucks) and non-depreciable assets (land, construction-in-progress). These assets are generally acquired with debt and sometimes with local, state and federal funds. Assets are depreciated over their class useful life as shown in footnote 1 on page 54, “accounting policies”. Details of changes in capital assets for the year by class are reported in footnote 11 beginning on page 96.

**Certificate of Achievement for Excellence in Financial Reporting** - The CAFR is submitted to the GFOA for review before December 31<sup>st</sup>, unless on extension. The GFOA will issue a certificate of achievement if reporting criteria are met. The certificate for the prior year CAFR is included in the

## GLOSSARY

current year CAFR and can be found on page 8. The certificate adds to the reliability of the financial statements when used by third parties.

**Comprehensive Annual Financial Report (CAFR)** – The CAFR includes the Basic Financial Statements and other Required Supplementary Information and components as prescribed by GASB 34. Also included is additional information prescribed by the GFOA including supplementary statements and schedules, a section containing statistical data, a transmittal letter, and a copy of the GFOA certificate from the prior-year. The report is provided to third parties and available to the public on the City’s website.

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

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

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

## GLOSSARY

deferred investment gains and losses and approximately five years for changes in the actuarial assumptions.

**Deficit Balance** – A deficit balance is the accumulation over time of expenses exceeding revenues that result in liabilities exceeding assets. A deficit in the Statement of Net Position (Exhibit 1) is when the net of Assets plus Deferred Outflows less Liabilities less Deferred Inflows is negative. In the Governmental Funds Financial Statements (Exhibit 3) it is not unusual for capital project fund types to have a negative fund balance because temporary loans in the form of bond anticipation notes (BAN) are not considered resources (i.e. revenue) until the bonds are issued in the subsequent year but as liabilities. A deficit in the Statement of Net Position (Exhibit 1) indicates that the measurement of revenue and expenses over time was in deficit. This usually occurs when there are liabilities for which there is not a corresponding asset, such as the liabilities related pensions and OPEB or the balance in the pension obligation bonds. In these cases expenses have been previously recognized but not provided for with revenue and a future obligation is recognized thereby creating a deficit net position. In analyzing a deficit balance it is important to understand the source and the impact the future obligation will have on short term resources. In the case of the pension liability, continued shortfalls in investment income or increase in benefits through low mortality rate coupled with a statutory deadline to fund unfunded liabilities may put pressure on future budgets. In the case of OPEB, increasing inflation costs in the health industry through advancement in health service coupled with low mortality rates could drive up the pay-as-you-go amounts and put pressure on future budgets.

**District Improvement Financing (DIF)** – Geographic zones in a municipality identified for redevelopment usually with public and private investments where new revenue streams identified from the redevelopment, most often in the form of tax increment financing agreements, are designated to finance the debt incurred by the municipality for its cost related to the redevelopment.

**Economic Resources Measurement Focus** – The Government-Wide set of financial statements as required by GASB, is measured on economic resources where the investment in capital is considered a resource in addition to the current resources such as labor and supplies. This includes general long-term capital debt-liabilities resulting from capital asset acquisitions that have long-term economic benefit. Other examples include long-term receivables that are reported as resources such as the long-term receivable from the MSBA which has been recognized as income when it was realized and is part of the net position. Conversely, future uses of resources in the form unfunded pension and OPEB liabilities for past service costs are recognized as liabilities and have a negative effect on the net position when using this measurement focus.

**Equalized Valuation (EQV)** – Equalized valuation is the determination of an estimate of the full and fair cash value of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

**Fiduciary Net Position / Fiduciary Accounts** – Fiduciary Funds Financial Statements are required by GASB 34 in the Basic Financial Statements. Fiduciary funds are used to account for assets held in trust by the government for the benefit of individuals or other entities. The pension trust fund, created to

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

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

**Free Cash** – Free Cash is the amount of undesignated fund balance of the City’s General Fund, on a budgetary basis, that the Commonwealth of Massachusetts allows to be appropriated in the following fiscal year. The General Fund includes both the undesignated balance and the reserves for the Bond Rating Stabilization and Emergency Stabilization Funds. The year-end balance of the total fund is reflected on page 135 of the CAFR. The undesignated amount is adjusted by the Commonwealth before it is certified as Free Cash for appropriation. Adjustments include grant receivables received after September 30<sup>th</sup>, the reserve for abatements and exemptions (i.e. overlay), and unreconciled tax receivables. Free cash also includes the retained earnings in the Water, Sewer and Golf funds that are also available for appropriation for those enterprise funds. Amounts not appropriated remain in the accounts (e.g. undesignated fund balance, retained earnings) and become part of the following year’s Free Cash calculation.

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

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

**Restricted** — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Most of the fund balances in the Special Revenue Fund for grants and revolving accounts are restricted funds. The positive fund balances for Capital Project Funds are also classified as

## GLOSSARY

restricted. In the General Fund, the OPEB account is currently not considered a trust fund because there is not an irrevocable trust established. Consequently the balance in OPEB account is considered a General Fund restricted fund balance.

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

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

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

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

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

## GLOSSARY

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

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

Current Refunding – bond proceeds from current refunding bonds are used to refinance outstanding bonds subject to call by retiring the refunded bonds with the proceeds from the newly issued refunding bonds which has a lower interest rate.

Advanced Refunding – bonds proceeds from advance refunding bond sales are held in trust and make scheduled debt service payments on the refunded debt. The newly issued refunding bonds have a lower interest rate than the refunded bonds called.

**Government Finance Officers Association (GFOA)** - An association of government finance professionals. The GFOA provides publications, continuing education and the latest information on best practices. It also reviews and certifies the CAFR as meeting criteria for excellent reporting.

**Government-Wide Financial Statements** – This is the first series of financial statements in the Basic Financial Statements (CAFR Exhibits 1 and 2). The basis of accounting is the accrual basis and the measurement focus is the economic resources measurement focus. Governmental activities are reported separately from business-type activities (water, sewer, golf) and component units (WRA and UBWPAD).

**Governmental Fund Financial Statements** – This set of statements (CAFR’s Exhibit 3 and 5) are required by GASB 34 and part of the Fund Financial Statements of the Basic Financial Statements. The governmental fund types include General Fund, Special Revenue Fund, Capital Projects Fund, Debt Service Fund, and Permanent Fund. Activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Those funds that meet the criteria of a major fund are reported in separate columns and nonmajor funds are aggregated into one column. The 29 nonmajor funds that are shown aggregated on Exhibits 3 and 5 are reflected in detail by fund type in the “Combining Statements” shown in Exhibits A-1 and A-2 starting on page 152. Separate accounting divisions are maintained within the Special Revenue, Capital Projects, Permanent Fund types whose names and descriptions are listed on page 148-150.

**Governmental Accounting Standards Board (GASB)** - An independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP). Some of the terms used in the CAFR are from the flowing GASB statements.

**GASB Statement No. 11** – Issued in 1990, *established measurement focus and basis of accounting.*

**GASB Statement No. 34** – Issued in 1999, *established a new reporting model for basic financial statements and required components* issued in the following order: Management’s Discussion and Analysis (MD&A); Government-Wide Financial Statements; Fund Financial Statements; Notes to Financial Statements; and Required Supplementary Information (RSI).

**GASB Statement No. 54** – Issued in 2009 *clarified fund type definitions and provides clearer fund balance classifications.*

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**GASB Statement No. 63** – Issued in 2011 established the guidance for reporting *deferred outflows of resources, deferred inflows of resources, and net position* in a statement of financial position.

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

**GASB Statement No. 75.** – Effective for years beginning after June 15, 2017 established new accounting and financial reporting standards for postemployment benefits other than pensions (OPEB), replacing previously issued statement No. 45 that was effective for years after June 15, 1999.

**Independent Auditor’s Report** – This is an opinion from an independent Certified Public Accountant that the Basic Financial Statements are fairly presented in all materially respects in accordance with Generally Accepted Accounting Principles. An unqualified opinion adds to the reliability of the financial statements when used by third parties.

**Internal Service Fund (ISF)** – This type of fund is used to report an activity that provides goods or services to other departments of the government. The City’s self-funded health insurance program is an ISF designed to provide quality cost-effective benefits to eligible recipients in the City’s departments. Under GASB 34, the ISF is reported in a separate column on the proprietary funds statement (CAFR Exhibits 7 through 9). The assets and net position of the ISF is included on the government-wide financial statements (Exhibit 1) and any doubling effect for the fact the expenses are also included in the government funds financial statements is eliminated when reporting expenses on Exhibit 2.

**Major Fund** – GASB 34 requires separate reporting of major funds in the Governmental Funds Financial Statements and Proprietary Funds Financial Statements. Nonmajor funds are consolidated but details are reported in supplementary statements and schedules. The General Fund is always considered a major fund. Other funds are classified as major funds upon passing two thresholds of the size of its total assets, liabilities, revenues or expenditures/expenses. In some cases where a fund meets the criteria of a major fund one year but not the next it will still be reported as a major fund for consistency purposes or until it is decided that its activities have diminished to nonmajor status for the foreseeable future. Any other fund may be reported as a major fund if the government’s officials believe that fund is particularly important to financial statement users.

**Measurement Focus** - What is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured (e.g. capital assets, debt) and when the effects of transactions and events involving those resources are recognized (e.g. depreciation, amortization of debt service).

**Modified Accrual Basis of Accounting** – The Governmental Funds Financial Statements (Exhibits 3 through 5) of the Basic Financial Statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. The focus is on short-term inflows and outflows of available resources. The City’s accounting system uses a Budgetary Basis of Accounting. Adjustments are made to revenues for certain accruals where they are considered measurable and available. Property taxes and motor vehicle excise taxes collected within 60 days of year end are considered measurable and available and are therefore accrued at year end. Changes to the allowance for

## GLOSSARY

doubtful accounts also affect revenue as they are considered not available. Other revenue, such as prepaid taxes, not considered available is recorded as deferred outflows of resources.

**Net Position / Total Net Position** – It is the residual amount of assets plus deferred outflows of resources less liabilities and deferred inflows resources reported on the Government-Wide Financial Statements (e.g. Exhibit 1) using the economic resources measurement focus. It is similar to equity in private sector reporting. It was previously reported as net assets (i.e. assets less liabilities) and now changed to net position under GASB 63 to account for the effect of deferred resources. Net position is further displayed in three components; net investment in capital assets; restricted net position and unrestricted net position. Over time increases or decreases in net position may serve as a useful indicator of the financial health of the City.

**Net Investment in Capital Assets** - This is the net position related to amounts spent on capital assets. The basic calculation is the gross investment in capital assets net of accumulated depreciation less outstanding debt attributable to the acquisition of the assets, excluding unspent short-term debt.

**Restricted Net Position** – The residual amounts of assets less liabilities that are restricted by outside parties for a specific future use such as grants and trusts. The Restricted Net Position cannot have a negative balance.

**Unrestricted Net Position** - It is the amount of Net Position not reported as Investment in Capital Assets or Restricted Net Position. A negative amount or deficit balance reflects liabilities and deferred inflows of resources that exceed the assets and deferred outflows of resources. A growing deficit balance may indicate a deterioration of financial health which may affect the budget process at some point when short-term outflows outpace or exceed short-term inflows requiring cuts in other areas.

**OPEB** – Other Postemployment Benefits (OPEB) are the other benefits besides pension payments that a retiree and spouse are entitled to receive at the start of retirement and continue usually until death. The City offers health insurance coverage until death and also a \$5,000 life insurance policy up until age 70. The City's contribution to the health premium cost is 75% and the life insurance is 50%. If a retiree enrolled in health insurance is eligible for Medicare then must enroll. The City offers several Medicare supplementary plans and is responsible for any Medicare Part B penalty assessed by the federal government on the individual. Currently the city is funding OPEB on a pay-as-you-go basis and making additional contributions to a designated OPEB account.

**OPEB – the total OPEB liability** – GASB 75 requires that the present value of the future benefits of retirees, spouses and active employees be determined on an actuarial basis called the Actuarial Accrued Liability. The total OPEB liability is recognized on the employer's accrual basis financial statements for plans that are not administered through an irrevocable trust.

**OPEB – the net OPEB liability** – For plans administered through an irrevocable trust, the total OPEB liability is offset by the net position of the plan's fiduciary net position.

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**Payroll Warrants** - Amounts owed to employees for a payroll period that have been reviewed, approved for payment and entered on a disbursement warrant but that have not yet been disbursed. The warrant is disbursed on the scheduled pay date. The payroll warrant payable at year-end includes the pay period ending at year-end and for teachers it includes the amount remaining for the school year. Teachers are paid over a twelve month cycle for the school year and the amounts paid in July and August that relate to the prior school year are included in payroll warrants payable. Payroll warrants payable at year-end are grouped with accounts payable.

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

**Prior Year Encumbrances** – The City uses an encumbrance system to control the budget for the General and Enterprise Funds. Commitments in the form of purchase orders are approved and charged to the budget prior to the order of supplies or services. At year-end, open purchase orders are reserved and expensed thereby matching it with the budget. Prior year encumbrances are grouped with accounts payable on the Basic Financial Statements.

**Required Supplementary Information** – The statement of reporting as required by GASB includes Required Supplementary Information (RSI) in addition to the Basic Financial Statements. This includes the Management, Discussion and Analysis, a report on the General Fund under the legal level of control of the budgetary basis, certain prescribed schedules related to pension liability and expense, and schedules related to OPEB.

**Tax Increment Finance (TIF)** – An agreement between the municipality and property owner through tax exemptions for a period not to exceed 30 years in exchange for development and jobs creation or retention. Tax exemptions are provided on the incremental increase in property value. At the end of the TIF term the municipality will realize the benefit of increased tax revenue.

**Total Assessed Valuation (TAV)** - The full and fair cash value of taxable real and personal property in the community are included on the annual property tax assessment roll prepared by the city assessor which includes all taxable real and personal property, its ownership, fair market value, and usage classification as of January 1 in order to assess taxes. Assessors must classify each real estate parcel as residential, open space, commercial or industrial as of January 1, based on definitions found in the tax classification law.

**Tax Levy** - The property tax levy is the revenue a community raises through real and personal property taxes each fiscal year when it sets its tax rate. The property tax levy is usually the largest source of revenue cities and towns have to fund their annual budgets. The levy limit is the maximum dollar amount a city or town can levy in a given fiscal year. It defines the maximum amount of property tax revenue a community will ordinarily have to support its annual budget and is the primary limitation established by Proposition 2½. The levy ceiling is the maximum amount the levy limit may be in a given fiscal year. It is a constraint on the size of the annual levy limit and is a secondary limitation established by Proposition 2½. The property tax levy cannot exceed the levy limit for the fiscal year which is the prior year levy plus a 2 ½ percent increase plus new growth. The levy limit cannot exceed the levy ceiling for the fiscal year which is 2 ½ percent of the total assessed valuation.

## GLOSSARY

**Uniform Massachusetts Accounting System (UMAS)** – Massachusetts General Laws (G.L.) c. 44, § 38 requires the Director of Accounts in the Department of Revenue to *prescribe uniform accounting systems for local governmental entities*. A three tier account classification system is used including Fund, Account Type and Subcategory.

**Warrants Payable** - Amounts owed for goods and services received that have been reviewed, approved for payment and entered on a disbursement warrant but that have not yet been disbursed.