

# CITY OF WORCESTER

## Massachusetts



## Comprehensive Annual Financial Report For the Year Ended June 30, 2014

**CITY OF WORCESTER, MASSACHUSETTS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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, 2014

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# **INTRODUCTORY SECTION**



# CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

**ROBERT V. STEARNS, CPA**

CITY AUDITOR

December 9, 2014

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, 2014 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, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. CliftonLarsonAllen LLP has issued an unqualified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is presented as the first component of the financial section of this report.

Pursuant to the Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, the City is also required to have an annual audit of the federal financial assistance it has received. In addition to a financial statement audit, the Single Audit Act requires that an internal control review and a compliance audit be performed in accordance with the Federal Office of Management and Budget's Circular A-133. The United States Department of Housing and Urban Development was assigned as the cognizant audit agency. The requirements of the Single Audit Act have been met. The auditors' reports on internal control and compliance have been furnished separately to the City.

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

### **City of Worcester Government**

Worcester was incorporated as a town on June 14, 1722 and as a city on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the second largest city in New England with a population of 181,045, according to the 2010 federal census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City. Additionally, the City is allotted a portion of the hotel, meals and sales taxes collected within its jurisdiction by the state.

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

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

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

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 98 through 105 as part of required supplementary information.

### **Local economy**

For the past several years Worcester has seen its employment base shift from manufacturing to services with health and education making up the largest percentage and representing ten of the top fifteen employers in the City. Worcester is home to nine colleges and universities with over 30,000 students. Also located within Worcester are two major hospitals serving central Massachusetts including St. Vincent Hospital and the Umass Memorial Medical Center that includes three campuses including a teaching campus for the University of Massachusetts. The school district and the City of Worcester also have a significant economic presence, employing in total more than 5,200 teachers, professionals and support staff.

Most of the colleges and universities located in the City have been continually expanding. For example, the University of Massachusetts Medical School recently finished constructing a \$405 million 500,000 square foot science and research facility on its campus. The College of the Holy Cross has completed construction of a new residence hall and Worcester State University has finished constructing its new residence and dining facility and is about to start construction on a new \$45M Wellness Center. Worcester Polytechnic Institute (WPI) recently finished residential housing and a 500 space parking garage that has NCAA sanctioned athletic fields on its roof. Gateway Park, located near the downtown, is WPI's center for biotechnologies and life sciences and has expanded to over 550,000 square feet of academic and commercially rented lab space.

Median household incomes within the City of Worcester averaged \$45,679 and under the state average of \$66,658. At the end of the fiscal year the unemployment rate in the city fell to 7.5% from the high of 10% during the recession. General fund revenue sources to the City during FY14 included 39% from tax levy, 7% from local and other sources and 54% from state aid. The City continued to not use its untaxed levy capacity of over \$10M and has built up other reserves over \$79M. Due to the strong financial results the City has maintained its bond rating in the high grade tier from credit agencies including an upgrade in FY14 from Standard and Poor's to AA-.

### **Factors Affecting Financial Condition**

CSX recently invested over \$100 million to relocate its intermodal container operation to Worcester creating new jobs and clearing the way for additional commuter trains between Worcester and Boston now totaling 20 daily round trips.

Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) in 2010. The new owners have demonstrated a willingness to make necessary improvements, such as a top tier landing system. Jet Blue started daily service to Orlando and Fort Lauderdale during the fiscal year.

Construction has continued on the CitySquare project. Completed and occupied in 2013 was a 7-story 214,000 square foot \$110 million office building housing the Unum Group and a 3-story 66,000 square foot \$23 million cancer center owned and operated by St. Vincent Hospital. Creation of new streets and sidewalks were completed improving area foot traffic and connecting parts of the area. Demolition and site preparation of the next phase continued into the fiscal year making way for the development of a 550 space underground parking garage to support a planned 158 room hotel, and a 350 unit market rate residential apartment building. The developer's total investment in the project is estimated to be over \$470 million over a period of 6 to 8 years. The City is to contribute about \$61 million, the state \$25 million and the federal government \$3.5 million mainly for the cost of demolition, infrastructure and underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs and grant tax increment financing to the hotel developer. It is anticipated that increased property values and related taxes from CitySquare construction will service the City's debt associated with this project. Additional hotel development is planned at nearby Gateway Park and Washington Square and this past year the nearby DCU Center, the city owned arena and conference facility, completed \$23 million in renovations.

Also having a major impact on the downtown area has been the steady expansion of the colleges. Massachusetts College of Pharmacy (MPHCS) currently has 1,300 students living and attending classes in the City's downtown with plans to expand to 2,000 students in the next 4 to 7 years. Two downtown underutilized office/retail buildings were redeveloped into mixed use buildings including 55 micro-loft residential units with a large portion leased by MPHCS students. Additional redevelopment for MPHCS residential units is also planned nearby. WPI's recently finished apartment style resident hall is part of its plan to develop a vibrant lower campus linking the main campus with downtown and Gateway Park. Nearby, a former school building was redeveloped into 84 new mixed income residential units. Quinsigamond Community College has expanded to downtown for its healthcare program and is leasing 73K square feet of space in a recently renovated 135K square foot building bringing in 500 students to the downtown next year. Becker College has entered into a multi-year lease for space in the downtown to house 150 students.

In November of 2006, the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund debt related to the new North High School along with various other projects. Proceeds from meals, hotel and sales taxes collected in the DCU Center enterprise zone are also added to this fund. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation. Additionally, as part of this plan starting in fiscal 2013 the City will contribute 30-percent of "Free Cash" annually to pre-fund the liability for Other Post- Employment Benefits (OPEB).

Worcester's total assessed property value increased to \$11.030 billion in fiscal 2014, \$0.151 billion or 1.4% more than the previous year.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Auditing Department. I also wish to acknowledge our indebtedness to personnel in other City departments who assisted in our preparation. I am grateful to the City's independent auditors, CliftonLarsonAllen LP, 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,

A handwritten signature in black ink that reads "Robert V. Stearns". The signature is written in a cursive, flowing style.

Robert V. Stearns, CPA  
*City Auditor*

**CITY OF WORCESTER, MASSACHUSETTS**

List of Elected and Appointed Officials

June 30, 2014

Council – Manager Form of Government

**CITY COUNCIL**

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

**Councilors-at-Large**

---

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

**District Councilors**

---

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

**CITY MANAGER**

Edward M. Augustus, Jr.

**AUDITING DEPARTMENT**

Robert V. Stearns, CPA, City Auditor

Michael T. Hennessy  
Kim Laino  
Deborah Monahan

Director of Accounts  
Chief Accountant  
Administrative Assistant

**CHIEF FINANCIAL OFFICER**

Thomas F. Zidelis

**BUDGET OFFICER**

Jarrett B. Conner

**ASSESSOR**

William J. Ford

**TREASURER & COLLECTOR**

Mariann Castelli Hier

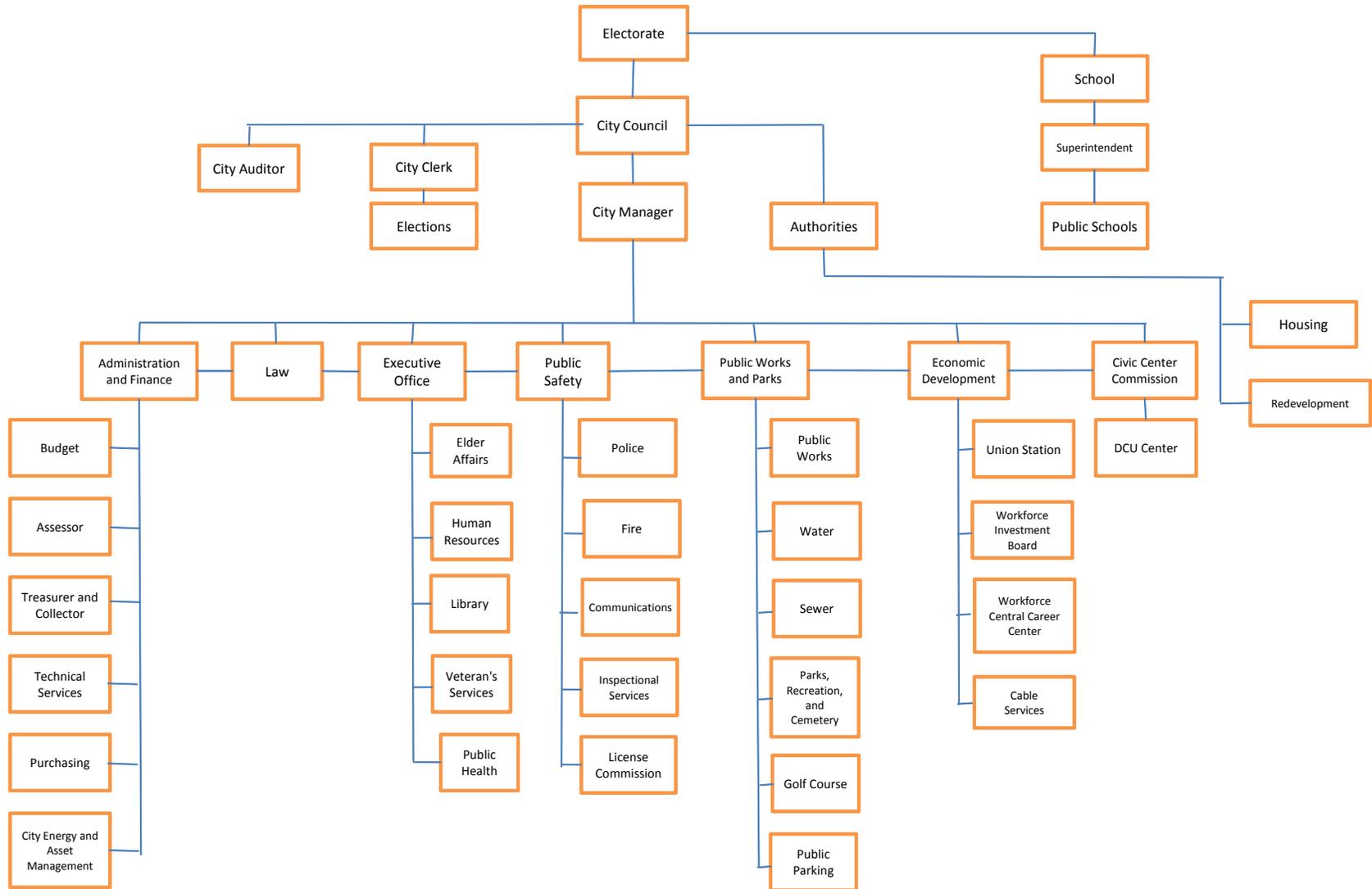
**PURCHASING AGENT**

John C. Orrell

**DIRECTOR OF TECHNICAL SERVICES**

Paul R. Covello

WORCESTER CITY GOVERNMENT





Government Finance Officers Association

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

Presented to

**City of Worcester  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# **FINANCIAL SECTION**



CliftonLarsonAllen LLP

CLAAconnect.com

## **Independent Auditors' Report**

The Honorable Mayor and City Council  
City of Worcester, Massachusetts

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2014 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2013), 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 87.0%, 49.6% and 97.9%, 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, 2014 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2013), 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 12 through 26) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 98 through 108) 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 9, 2014 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, MA

December 9, 2014

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

(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, 2014 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

#### **Financial Highlights**

- The assets of the City (primary government) exceeded its liabilities (net position) at the close of fiscal 2014 by \$193,992.
- The City's total net position decreased by \$2,934 or 1.5% during the year.
- At the end of fiscal 2014, unassigned fund balance for the general fund was \$27,870 or 4.5% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2014 was \$4,657. This amount is unassigned in the general fund and available for appropriation in fiscal 2015.
- The City's total capital assets (net) increased by \$49,537 or 5.8% during fiscal 2014.
- The City's total debt increased by \$21,231 or 3.5% during fiscal 2014.

#### **Overview of the Financial Statements**

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

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

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

The statement of activities presents information showing how the City's net position changed during fiscal 2014. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

**CITY OF WORCESTER, MASSACHUSETTS**

Management’s Discussion and Analysis

June 30, 2014

(In thousands of dollars)

Major Features of the City of Worcester’s Government-Wide and Fund Financial Statements				
	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City government, except fiduciary activities such as the employee retirement plan	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates like businesses; the water and sewer system and the golf course	Instances in which the City is the trustee or agent for resources belonging to others, such as the employee retirement plan
<i>Required financial statements</i>	<ul style="list-style-type: none"> <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

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.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2014

(In thousands of dollars)

The government-wide financial statements can be found on pages 27 through 29 of this report.

#### **Fund Financial Statements**

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

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

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

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the CitySquare fund, the debt service fund, the DCU Center construction fund and the rehabilitation of public buildings fund, each of which are considered major funds. Data from the 26 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

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

The governmental funds financial statements can be found on pages 30 through 33.

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

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

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The proprietary fund financial statements can be found on pages 34 through 36.

**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 37 through 38.

**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 39 through 97.

**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 98 through 108.

**Other information** – This report also presents other information that is presented for purposes of additional analysis and is not a required part of the financial statements, which includes the introductory section (pages 1 through 8), supplementary statements and schedules (pages 110 through 131) and statistical section (pages 133 through 160).

### **Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$193,992 at the close of the most recent fiscal year and are summarized as follows:

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<b>Net position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 289,732	293,397	42,794	40,897	332,526	334,294
Capital assets	683,797	639,604	226,967	221,623	910,764	861,227
Total assets	<u>973,529</u>	<u>933,001</u>	<u>269,761</u>	<u>262,520</u>	<u>1,243,290</u>	<u>1,195,521</u>
Long-term liabilities	746,230	700,955	148,068	145,678	894,298	846,633
Other liabilities	129,410	132,267	25,590	19,695	155,000	151,962
Total liabilities	<u>875,640</u>	<u>833,222</u>	<u>173,658</u>	<u>165,373</u>	<u>1,049,298</u>	<u>998,595</u>
Net position:						
Net investment in						
capital assets	333,718	310,299	86,648	86,123	420,366	396,422
Restricted	54,995	43,534	-	-	54,995	43,534
Unrestricted	<u>(290,824)</u>	<u>(254,054)</u>	<u>9,455</u>	<u>11,024</u>	<u>(281,369)</u>	<u>(243,030)</u>
Total net position	\$ <u><u>97,889</u></u>	<u><u>99,779</u></u>	<u><u>96,103</u></u>	<u><u>97,147</u></u>	<u><u>193,992</u></u>	<u><u>196,926</u></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 (\$281,369). However, this balance includes outstanding pension obligation bonds of \$152,290 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 \$8,445 and \$1,458, respectively, at year-end. Additionally, the City has a note payable of \$4,164 for improvement to neighborhood assets it does not own and also owes \$811 for the Blackstone Valley Visitors Center, which was destroyed by fire. Also on this list is \$1,050 debt for the airport, which is no longer owned by the City. Absent the aforementioned debt, there is a balance of (\$113,151) of unrestricted net position.

At the end of fiscal 2014, the City is able to report positive balances in all three categories of net position for business-type activities and all but unrestricted net position in the governmental activities.

Other liabilities decreased for governmental activities by \$2,857 or 2.2% as temporary loans decreased from \$55,018 to \$53,344. Business-type activities had an increase in other liabilities of \$5,895 or 29.9% as temporary notes increased from \$14,995 to \$18,982. Governmental activities capital assets increased by \$44,193 or 6.9% as many City buildings were renovated to produce energy savings during the year and work continued on the CitySquare project, parks projects, streets and sidewalks and the renovation and expansion of the DCU Center.

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The City's total net position decreased by \$2,934, or 1.5%, summarized as follows:

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 36,244	33,641	65,601	61,962	101,845	95,603
Operating grants and contributions	374,157	365,227	-	385	374,157	365,612
Capital grants and contributions	15,562	23,252	386	2,106	15,948	25,358
General revenues:						
Property taxes	247,313	233,206	-	-	247,313	233,206
Motor vehicle excise taxes	13,075	12,720	-	-	13,075	12,720
Intergovernmental	36,974	36,039	-	-	36,974	36,039
Other	13,226	12,294	-	-	13,226	12,294
Total revenues	<u>736,551</u>	<u>716,379</u>	<u>65,987</u>	<u>64,453</u>	<u>802,538</u>	<u>780,832</u>
Expenses:						
General government	25,334	24,652	-	-	25,334	24,652
Public safety	136,209	129,490	-	-	136,209	129,490
Health and human services	17,868	18,396	-	-	17,868	18,396
Education	464,866	451,582	-	-	464,866	451,582
Public works	43,318	40,387	-	-	43,318	40,387
Culture and recreation	20,522	21,756	-	-	20,522	21,756
Community development	4,256	1,820	-	-	4,256	1,820
Interest on debt	26,555	25,873	-	-	26,555	25,873
Water	-	-	25,899	25,734	25,899	25,734
Sewer	-	-	39,332	37,991	39,332	37,991
Golf course	-	-	1,382	1,293	1,382	1,293
Total expenses	<u>738,928</u>	<u>713,956</u>	<u>66,613</u>	<u>65,018</u>	<u>805,541</u>	<u>778,974</u>
Change in net position before transfers and contributions	(2,377)	2,423	(626)	(565)	(3,003)	1,858
Transfers	418	920	(418)	(920)	-	-
Contributions	69	69	-	-	69	69
Change in net position	(1,890)	3,412	(1,044)	(1,485)	(2,934)	1,927
Net position – beginning	99,779	96,367	97,147	98,632	196,926	194,999
Net position – ending	<u>\$ 97,889</u>	<u>99,779</u>	<u>96,103</u>	<u>97,147</u>	<u>193,992</u>	<u>196,926</u>

**Governmental activities** – Governmental activities decreased the City's net position by \$1,890. The key elements of this decrease are as follows:

Total revenues were \$736,551, which was a \$20,172 or 2.8% increase from the previous fiscal year. General revenues increased by \$16,329 or 5.5% as property tax revenue increased by \$14,107 or 6.0%, primarily because of an increase in property taxes committed for collection and other revenue increased by \$932 or 7.6% as investment income increased by \$991. Charges for services increased by \$2,603 or 7.7% as public works revenue increased \$1,436 or 14.5% and public safety revenues increased \$1,149 or 7.7%. Included in the increase in public works revenue was an increase in landfill charges of \$635 or 94.2%, an increase in special assessments of \$437 or 41.8%, and an increase in parking fees of \$141 or 3.8%. Included in the increase in public safety revenue was an increase in court fines of \$483 or 54.8%, code inspection and building permits of \$244 or 9.2% and police detail of \$465 or 5.4%.

# CITY OF WORCESTER, MASSACHUSETTS

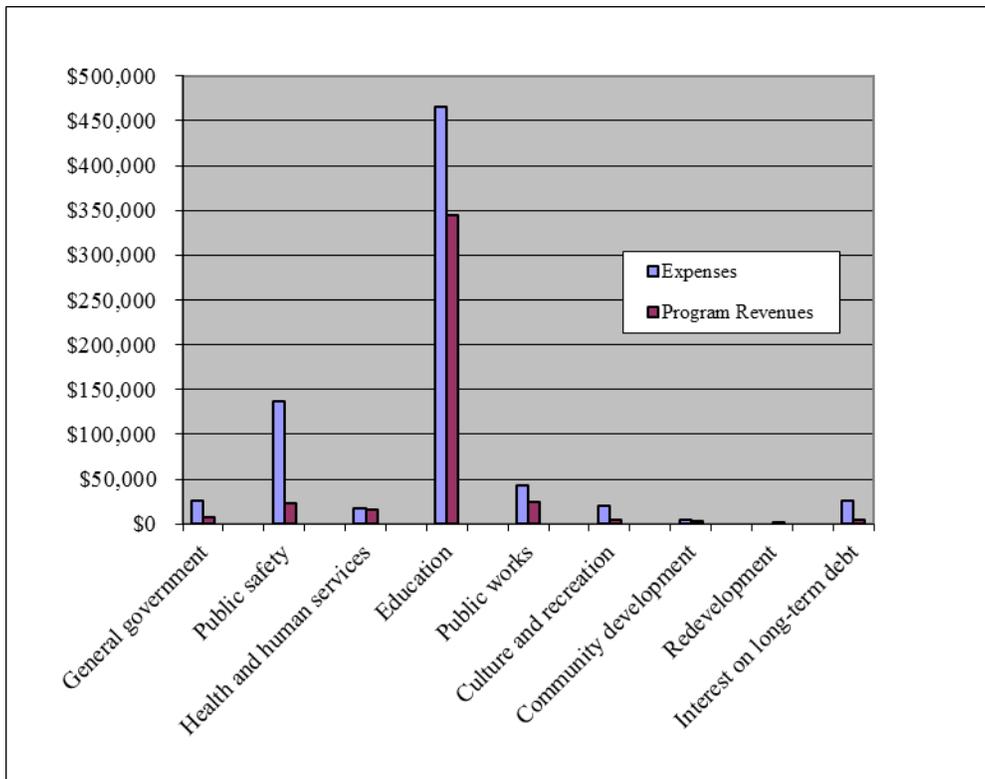
## Management's Discussion and Analysis

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Total expenses were \$738,928, which was a \$24,972 or 3.5% increase from the previous fiscal year. Education expenses increased by \$13,284 as additional funding came from city, state and federal sources, community development expenses increased \$2,436 as additional funding became available from federal sources, while there were increases in public safety of \$6,719 and public works of \$2,931.

### FY 2014 Expenses and Program Revenues– Governmental Activities



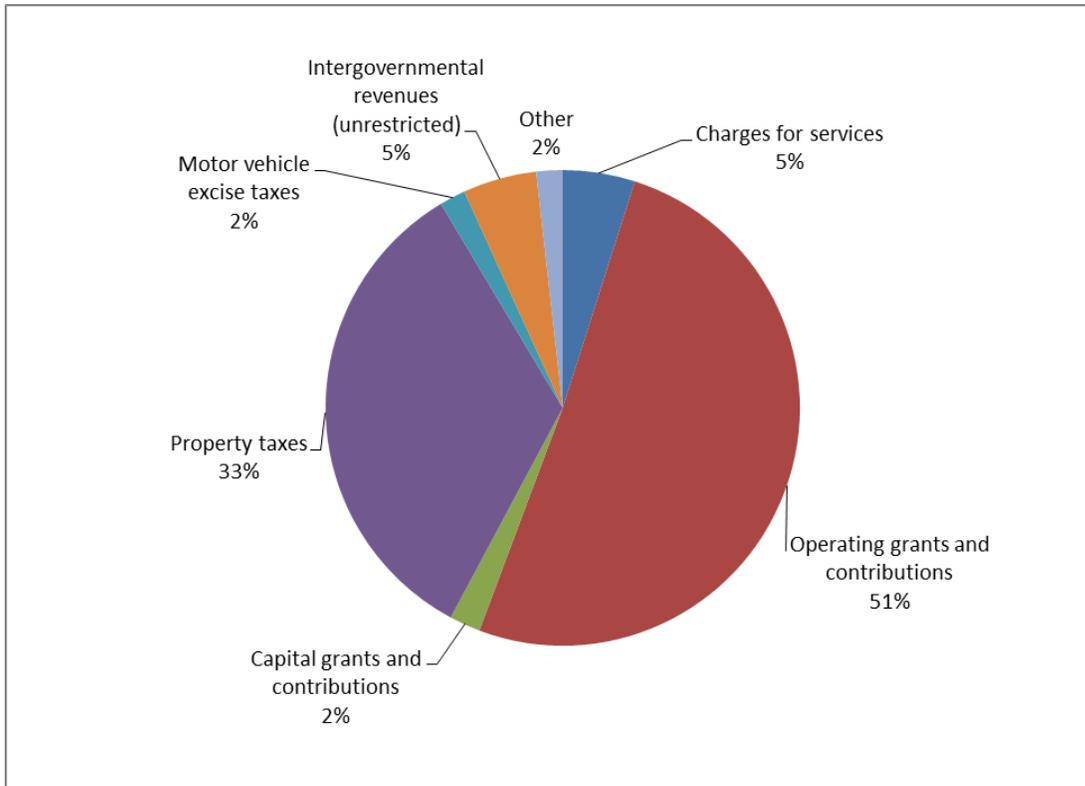
## CITY OF WORCESTER, MASSACHUSETTS

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#### FY 2014 Revenues by Source – Governmental Activities



**Business-type activities** – Business-type activities decreased the City's net position by \$1,044. Factors contributing to these results are as follows:

- The water fund had operating income of \$4,987 and had an increase in net position of \$1,741. This follows the previous year's \$1,913 increase in net position with an operating income of \$3,974.
- The sewer fund had an operating loss of \$207 compared with operating income of \$1,282 in the previous year. Net position decreased by \$2,714, which follows the previous year's \$3,388 decrease.
- The golf course fund (nonmajor) had an operating loss of \$222 and net position decreased by \$71.

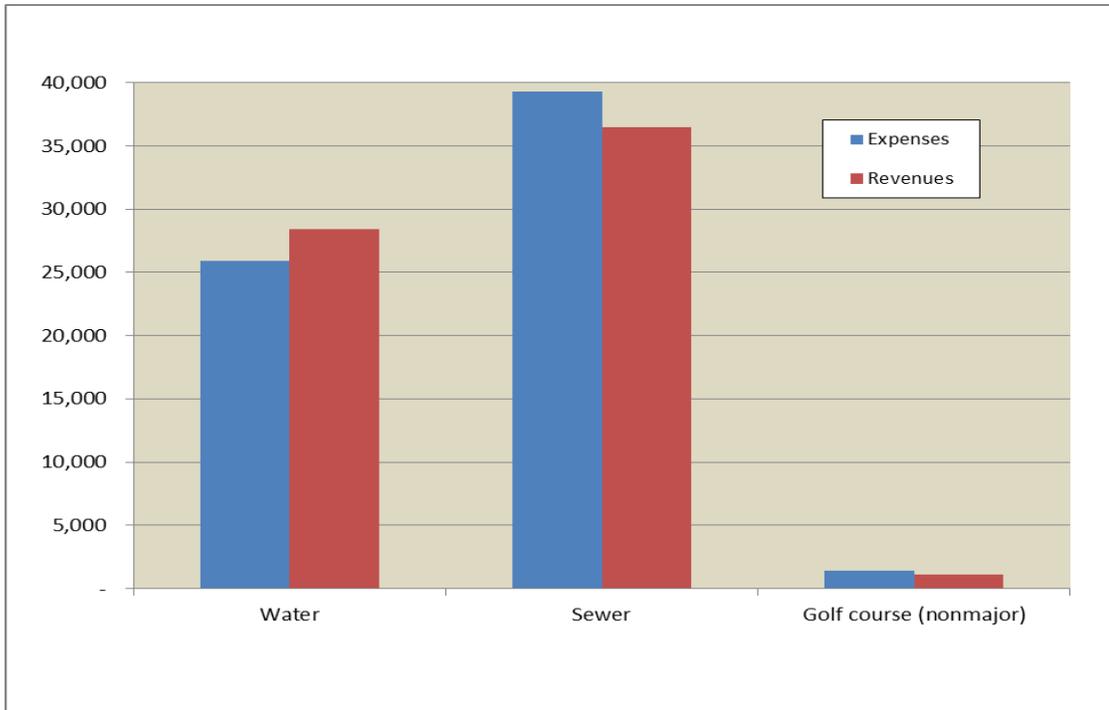
**CITY OF WORCESTER, MASSACHUSETTS**

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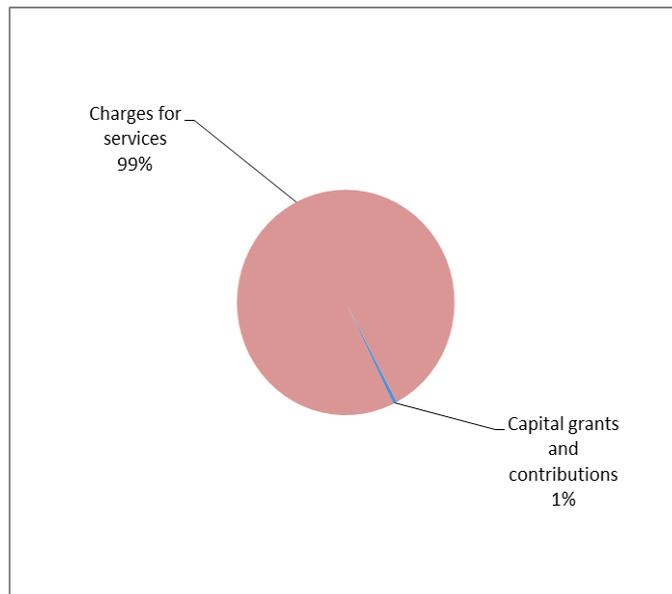
June 30, 2014

(In thousands of dollars)

**FY 2014 Expenses and Program Revenues – Business-type Activities**



**FY 2014 Revenues by Source – Business-type Activities**



## CITY OF WORCESTER, MASSACHUSETTS

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#### Financial Analysis of the City's Funds

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

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

At the end of fiscal 2014, the City's governmental funds reported combined ending fund balances of \$83,969 an increase of \$8,236 or 10.9% from fiscal 2013. Fund balance includes \$11,961 of non-spendable amounts contained in nonexpendable permanent funds and \$27,870 of unassigned general fund balance available for spending at the City's discretion. Deficits in the DCU Center construction fund of \$19,026, \$8,485 in the rehabilitation of public buildings fund, \$5,037 in the CitySquare fund and \$8,931 in non-major capital projects funds will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds. The remaining fund balance has \$45,883 restricted for specific purposes or by federal or state grants, \$18,124 of funds committed for debt service and \$21,610 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 2014, unassigned fund balance of the general fund was \$27,870 or 4.5% of total general fund revenues and a restricted fund balance of \$7,020. During fiscal 2014, the City's general fund balance increased by \$4,369 or 14.3%. Total revenues exceeded expenditures by \$9,518, while transfers out exceeded transfers in by \$11,636. The general fund also received a premium on the issuance of bonds of \$877 and capital leases of \$5,609.

CitySquare had a fund balance deficit of \$5,037 at the end of fiscal 2014, a \$3,640 decrease from the previous year. During the year \$6,599 of intergovernmental revenue and \$2,030 of bond proceeds were received. Project expenditures totaled \$12,269. Temporary loans consisting of Bond Anticipation Notes (BANS) outstanding at the end of the year totaled \$5,830.

The debt service fund had a fund balance of \$18,124 at the end of fiscal 2014, a \$1,207 or 7.1% increase from the previous year. During the year \$1,755 in tax revenue was received and there were \$13,256 net transfers in from the general fund. Debt service expenditures were \$13,804.

DCU Center construction fund had a fund balance deficit of \$19,026 at the end of fiscal 2014, a \$12,883 or 209.7% increase in the deficit from the previous year. Bond proceeds received during the year totaled \$2,805. Total expenditures were \$15,888; a \$7,298 or 85.0% increase from the prior year. BANS outstanding at the end of the year totaled \$19,505.

Rehabilitation of public buildings had a fund balance deficit of \$8,485 at the end of fiscal 2014, a \$10,899 decrease in the deficit from the previous year. Intergovernmental revenue of \$2,431, \$357 of donations, \$23,480 of bond proceeds, and \$216 of net transfers were received during the year. Expenditures totaled \$15,585. BANS outstanding at the end of the year totaled \$7,081.

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Other governmental funds had a fund balance of \$63,503 at the end of fiscal 2014, an \$8,284 or 15.0% increase from the previous year. Special revenue funds increased by \$5,800 as expenditures of \$96,969 were exceeded by revenues and premiums on issuance of bonds of \$103,951 and net transfers out of \$1,182. The capital projects funds decreased by \$43 as expenditures of \$29,754 were exceeded by revenues of \$5,932, net transfers out of \$399 and bond proceeds of \$24,178. Permanent funds increased by \$2,527 as investment income of \$2,622 and donations of \$69 exceeded transfers out of \$37 and expenditures of \$127.

**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 2014 totaled \$96,103. This was a \$1,044 decrease from the previous year. The water fund had an increase of \$1,741 while the sewer fund had a decrease of \$2,714 and the golf course fund (nonmajor) had a decrease of \$71. Unrestricted net position consisted of \$2,191 in the water fund, \$7,422 in the sewer fund and (\$158) in the golf course fund (nonmajor). 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 \$1,123 higher than the original amount. The estimate for property taxes was increased by \$1,762 as additional assessments were added. The estimate for state local aid was decreased by \$947 as the original Charter School reimbursement estimate was reduced by \$1,171. The estimate for miscellaneous revenue was increased \$308 due to prior year receipts from the state for transportation reimbursement.

The final budget for transfers-in increased by \$1,029 from the original budget. There was a \$500 transfer from the DCU Center construction portion of the debt service fund for tourism promotion and there were transfers from various special revenue fund accounts; \$386 from premium on loans to cover debt issuance costs, and \$64 from miscellaneous reserve accounts. There was also a \$79 transfer from a budgetary basis non-irrevocable trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$1,657 higher than the original. The manager's budget was increased by \$686 as money was added for tourism promotion and operations. The treasurer's budget increased by \$389 primarily because of transfers from premium on loans reserve account to cover borrowing costs. The school budget was increased by \$2,137, \$1,267 was from a reduction in intergovernmental charges for school choice and charter schools, \$707 from a reduction in school based fringe benefit costs and \$163 from the tax levy. The snow budget was increased by \$720 to fund higher than expected costs during the year. The police department budget increased \$1,028, with an increase to overtime of \$812 and an increase in other expenses funded by transfers from special revenues including \$163 for shotspotter (gunshot detection) services and \$53 for vehicles. Additionally, there were miscellaneous transfers into and out of various miscellaneous accounts.

The final budget and actual for transfers-out increased from the original budget by \$4,545. \$4,351 was transferred to a budgetary basis trust fund (non-irrevocable) for Other Post-Employment Benefits, \$42 went to repay the federal government for ineligible grant expenditures, \$66 was transferred to the construction permit reserve account in the special revenue fund, \$83 was transferred to subsidize the golf enterprise in addition to the \$150 in the original budget and \$3 was transferred to cover year-end deficits in miscellaneous accounts.

## CITY OF WORCESTER, MASSACHUSETTS

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The general fund balance had a budgetary basis increase of \$367 during the year, which was in addition to increases of \$1,162, \$12,785, and \$3,711 in the three prior years and finished the year with a balance of \$28,574 all of which was unassigned. Revenues exceeded the final budget by \$1,214 with collections that exceeded estimates including motor vehicle excise \$801, court fines \$574, street assessments \$375, miscellaneous \$284 and inspectional service permits \$214. Offsetting these were accounts that fell short of estimates including school-based Medicaid reimbursement \$560 and property taxes \$518. There were \$2,177 in positive expenditure budget variances, the largest coming from a \$593 unused contingency account. Also, there was a favorable variance of \$643 in the public safety category, \$431 from general government as well as \$462 from fringe benefits. The bottom line was also assisted from revenues from premium on loans which were \$77 over the final budget.

#### Capital Assets and Debt Administration

**Capital assets** – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$910,764. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress, net of depreciation. The total increase in the City's investment in capital assets for the current year was \$49,537 or 5.8%. Governmental activities increased by \$44,193 or 6.9% and business-type activities increased by \$5,344 or 2.4%.

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

- Streets and sidewalks were improved with costs amounting to \$16,535.
- The CitySquare project had expenditures of \$12,269 as the demolition phase of existing structures to enable the site for development was near completion. Street and sidewalk construction have also been completed. Total project demolition and infrastructure expenditures to date have been \$76,498.
- Expenditures for parks improvement projects totaled \$7,398 during the year.
- Expenditures during the year for rehabilitation of public buildings were \$15,585 with the majority of it going towards energy improvements and school building improvements.
- Expenditures for the expansion and improvement to the DCU Center totaled \$15,888. Total expenditures for the past five years have been \$33,977.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$18,192. Of this amount, \$11,399 was for sewer projects, \$6,790 for water projects, and \$3 for golf course (nonmajor). Additionally, business-type entities received \$303 in capital donations from owners of subdivisions.

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

		<b>Capital assets (net of accumulated depreciation)</b>					
		<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$	20,860	20,400	6,488	6,161	27,348	26,561
Buildings		362,155	347,773	27,860	26,795	390,015	374,568
Improvements, other than buildings		31,480	27,343	-	-	31,480	27,343
Equipment and other		8,094	2,425	542	500	8,636	2,925
Rolling equipment		5,110	5,455	3,468	3,226	8,578	8,681
Infrastructure		117,915	115,846	178,176	178,143	296,091	293,989
Construction in progress		138,183	120,362	10,433	6,798	148,616	127,160
Total	\$	<u>683,797</u>	<u>639,604</u>	<u>226,967</u>	<u>221,623</u>	<u>910,764</u>	<u>861,227</u>

Additional information on the City's capital assets can be found in note 9 beginning on page 75 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 \$629,414, an increase of \$21,231 or 3.5% from the prior fiscal year. With the exception of the notes and lease payables, the full faith and credit of the City back this entire amount.

		<b>Long-term debt</b>					
		<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General obligation bonds	\$	481,445	466,756	137,277	135,499	618,722	602,255
Notes payable		4,164	4,283	1,480	1,645	5,644	5,928
Capital lease payable		5,048	-	-	-	5,048	-
Total	\$	<u>490,657</u>	<u>471,039</u>	<u>138,757</u>	<u>137,144</u>	<u>629,414</u>	<u>608,183</u>

On November 1, 2013 the City issued \$67,487 of general obligation bonds. The proceeds consisted of \$52,492 for governmental activities and \$14,995 for business-type activities.

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

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

Additional information on the City's long-term debt can be found in notes 11 and 12 beginning on page 80 of this report.

# CITY OF WORCESTER, MASSACHUSETTS

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

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 7.5% at June 30, 2014, compared with a 9.8% rate that existed a year earlier. This compares with June 30, 2014 unemployment rates of 5.6% in Massachusetts and 6.1% nationally.

A recent study by Colliers International reported that as of June 30, 2014, a sample of 2.02 million square feet of office space in Worcester was 80.7% occupied.

Property values increased from \$10,878,856 in fiscal 2013 to \$11,030,011, or 1.4%, in fiscal 2014.

The fiscal original 2015 general fund budget anticipates total revenues of \$572,255, premium on loans of \$800 and transfers from other funds of \$3,856 compared with actual results of \$564,571, \$877 and \$3,595 respectively in fiscal 2014. It is anticipated that property tax revenue will increase by \$11,342 or 4.6% over the prior year by taxing up to the annual increase in the levy allowed under the state's tax limiting law "Proposition 2½". The City also has available an unused tax levy capacity of \$10,072, which was not used in prior years when the City did not tax up to the annual allowable increase. Additionally, state local aid is anticipated to decrease by \$2,435 primarily because of a decrease of \$3,628 in school building construction aid and a decrease of \$946 in assistance for the Medical City urban renewal project's debt service, which terminated in fiscal 2014. This was offset by estimated increases to unrestricted general government aid of \$998 and state aid funding for schools of \$672. Other revenue categories were budgeted at levels similar to the prior year.

Fiscal 2015 general fund expenditures were originally budgeted at \$562,284 with transfers out to the debt service fund of \$13,652, \$318 to DCU Center operations and the golf course enterprise fund of \$150 compared with actual results of \$549,174, \$13,756, \$1,052 and \$233 in the prior year. There were also additional transfers out totaling \$111 to the special revenue fund in fiscal 2014. Fiscal 2015 expenditure budgets increased over the prior year actuals by \$2,183 for school operations, \$2,805 for group insurance, \$4,196 for pensions, \$869 for debt service, and \$4,000 for contingencies.

The original budget plan was for revenues, loan premiums and transfers in to equal expenditures and transfers out. Since then, appropriations are expected to be made from the \$4,657 of certified "Free Cash". In accordance with the City's "Five Point Plan" 50% of Free Cash or \$2,329 will go to a "Bond Rating Stabilization" account, which is accounted for in the general fund and thus will preserve unassigned fund balance, \$1,397 to an OPEB reserve account, which is not irrevocable and is accounted for as restricted in the general fund, and \$931 for other various budget supplements.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer and water funds are each budgeted to have revenue equal expenditures and transfers out and the golf course is budgeted to need a \$150 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive total revenues of \$38,190, \$2,291 more than the prior year actual and water revenue is budgeted at \$28,643, \$233 more than the prior year actual. Sewer rates were increased by 5.9% from the prior year and water rates were increased by 0.9%. The golf course anticipates revenues of \$1,223, \$127 more than the prior year with no major rate changes.

**CITY OF WORCESTER, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2014

(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, Room 102, Worcester, Massachusetts 01608.

## *Basic Financial Statements*

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Net Position

June 30, 2014

	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	\$ 138,139,627	9,989,435	148,129,062	38,873	5,733,584
Restricted cash and cash equivalents	50,956,133	18,108,661	69,064,794	19,145	-
Restricted investments	24,683,512	-	24,683,512	-	4,588,995
Receivables (net of allowance for uncollectibles)	18,960,185	14,695,435	33,655,620	-	725,158
Intergovernmental receivables	56,992,571	-	56,992,571	78,874	413,771
Capital assets, not being depreciated	159,042,760	16,919,979	175,962,739	1,372,050	2,005,492
Capital assets, net of accumulated depreciation	524,754,509	210,047,171	734,801,680	27,314,444	178,733,126
<b>Total assets</b>	<b>973,529,297</b>	<b>269,760,681</b>	<b>1,243,289,978</b>	<b>28,823,386</b>	<b>192,200,126</b>
<b>Deferred outflows of resources:</b>					
Deferred charge on refunding	-	-	-	-	314,829
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314,829</b>
<b>Liabilities:</b>					
Accounts payable	47,935,474	4,245,108	52,180,582	115,879	777,449
Accrued liabilities	15,667,381	1,418,887	17,086,268	1,769,618	2,535,994
Retainage payable	2,117,071	944,425	3,061,496	-	-
Other liabilities	10,346,365	-	10,346,365	30,857	-
Temporary notes payable	53,343,500	18,981,500	72,325,000	-	2,000,000
Noncurrent liabilities:					
Due within one year	57,593,731	14,691,806	72,285,537	7,616,814	7,407,077
Due in more than one year	688,636,140	133,376,404	822,012,544	409,487	161,250,391
<b>Total liabilities</b>	<b>875,639,662</b>	<b>173,658,130</b>	<b>1,049,297,792</b>	<b>9,942,655</b>	<b>173,970,911</b>
<b>Net position:</b>					
Net investment in capital assets	333,718,727	86,647,057	420,365,784	25,047,682	16,255,756
Restricted for:					
Nonexpendable permanent funds:					
Libraries	5,863,040	-	5,863,040	-	-
Hope Cemetery	2,828,183	-	2,828,183	-	-
Health and human services	1,901,355	-	1,901,355	-	-
Other nonexpendable permanent funds	1,368,549	-	1,368,549	-	-
Expendable permanent funds:					
Libraries	3,141,667	-	3,141,667	-	-
Hope Cemetery	1,128,981	-	1,128,981	-	-
Health and human services	924,748	-	924,748	-	-
Other nonexpendable permanent funds	1,060,498	-	1,060,498	-	-
OPEB trust fund	7,020,438	-	7,020,438	-	-
State and federal grants	17,378,231	-	17,378,231	-	-
PEG access grant	4,095,814	-	4,095,814	-	-
Culture & recreation grants	419,241	-	419,241	-	-
General government grants	1,475,062	-	1,475,062	-	-
Health and human services grants	406,708	-	406,708	-	-
Library grants	918,377	-	918,377	-	-
Public safety grants	1,229,986	-	1,229,986	-	-
Public works grants	2,592,118	-	2,592,118	-	-
Educational grants	1,242,064	-	1,242,064	-	-
Unrestricted (deficit)	(290,824,152)	9,455,494	(281,368,658)	(6,166,951)	2,288,288
<b>Total net position</b>	<b>\$ 97,889,635</b>	<b>96,102,551</b>	<b>193,992,186</b>	<b>18,880,731</b>	<b>18,544,044</b>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

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	\$ 25,333,670	3,372,521	4,098,758	-	(17,862,391)
Public safety	136,208,710	16,118,084	6,714,576	-	(113,376,050)
Health and human services	17,867,735	803,789	14,647,562	-	(2,416,384)
Education	464,866,062	1,695,666	339,953,576	2,431,275	(120,785,545)
Public works	43,317,721	11,355,919	818,761	12,108,000	(19,035,041)
Culture and recreation	20,522,282	2,863,079	803,695	1,022,730	(15,832,778)
Community development	4,256,006	34,854	2,622,025	-	(1,599,127)
Redevelopment	-	-	567,514	-	567,514
Interest on debt	26,555,219	-	3,930,044	-	(22,625,175)
Total governmental activities	<u>738,927,405</u>	<u>36,243,912</u>	<u>374,156,511</u>	<u>15,562,005</u>	<u>(312,964,977)</u>
Business-type activities:					
Water	25,899,113	28,242,985	-	136,814	2,480,686
Sewer	39,331,813	36,261,672	-	248,841	(2,821,300)
Golf course (nonmajor)	1,382,152	1,096,398	-	-	(285,754)
Total business-type activities	<u>66,613,078</u>	<u>65,601,055</u>	<u>-</u>	<u>385,655</u>	<u>(626,368)</u>
Total primary government	<u>\$ 805,540,483</u>	<u>101,844,967</u>	<u>374,156,511</u>	<u>15,947,660</u>	<u>(313,591,345)</u>
Component units:					
Worcester Redevelopment Authority	\$ 2,409,575	490,146	-	-	(1,919,429)
Upper Blackstone Water Pollution Abatement District	<u>25,848,323</u>	<u>21,911,909</u>	<u>-</u>	<u>1,163,009</u>	<u>(2,773,405)</u>
Total component units	<u>\$ 28,257,898</u>	<u>22,402,055</u>	<u>-</u>	<u>1,163,009</u>	<u>(4,692,834)</u>

(Continued)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

	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)	\$ (312,964,977)	(626,368)	(313,591,345)	(1,919,429)	(2,773,405)
General revenues:					
Property taxes	247,312,904	-	247,312,904	-	-
Motor vehicle excise taxes	13,075,274	-	13,075,274	-	-
Other taxes and in-lieu payments	5,834,789	-	5,834,789	-	-
Penalties and interest on taxes	2,439,959	-	2,439,959	-	-
Intergovernmental (unrestricted)	36,974,049	-	36,974,049	-	-
Investment earnings	3,107,056	-	3,107,056	239	328,763
Miscellaneous	1,844,917	-	1,844,917	-	-
Transfers (net)	417,915	(417,915)	-	-	-
Total general revenues and transfers (net)	311,006,863	(417,915)	310,588,948	239	328,763
Contributions to permanent funds	68,969	-	68,969	-	-
Sub-total	311,075,832	(417,915)	310,657,917	239	328,763
Change in net position	(1,889,145)	(1,044,283)	(2,933,428)	(1,919,190)	(2,444,642)
Net position - beginning, with the Upper Blackstone as restated	99,778,780	97,146,834	196,925,614	20,799,921	20,988,686
Net position - ending	\$ 97,889,635	96,102,551	193,992,186	18,880,731	18,544,044

(Concluded)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Balance Sheet

## Governmental Funds

June 30, 2014

	General	CitySquare	Debt Service	DCU Center Construction	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 73,528,413	-	18,124,197	-	-	21,609,967	113,262,577
Restricted cash and cash equivalents	-	382,956	-	649,350	2,278,482	47,645,345	50,956,133
Restricted investments	7,020,438	-	-	-	-	17,663,074	24,683,512
Receivables (net of allowance for uncollectibles)	16,166,651	-	-	-	-	960,070	17,126,721
Intergovernmental receivables	51,453,214	3,729,255	-	-	-	1,810,102	56,992,571
<b>Total assets</b>	<b>\$ 148,168,716</b>	<b>4,112,211</b>	<b>18,124,197</b>	<b>649,350</b>	<b>2,278,482</b>	<b>89,688,558</b>	<b>263,021,514</b>
<b>Liabilities:</b>							
Accounts payable	\$ 38,785,937	3,251,337	-	-	2,743,701	3,154,499	47,935,474
Retainage payable	-	67,675	-	170,227	938,776	940,393	2,117,071
Temporary loans	-	5,830,000	-	19,505,000	7,081,000	20,927,500	53,343,500
Other liabilities	10,142,895	-	-	-	-	203,470	10,346,365
<b>Total liabilities</b>	<b>48,928,832</b>	<b>9,149,012</b>	<b>-</b>	<b>19,675,227</b>	<b>10,763,477</b>	<b>25,225,862</b>	<b>113,742,410</b>
<b>Deferred inflows of resources:</b>							
Unavailable revenue-school construction reimbursement	49,319,449	-	-	-	-	-	49,319,449
Unavailable revenue-property taxes	6,836,442	-	-	-	-	-	6,836,442
Unavailable revenue-other	8,193,820	-	-	-	-	960,070	9,153,890
<b>Total deferred inflows of resources</b>	<b>64,349,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>960,070</b>	<b>65,309,781</b>
<b>Fund balances:</b>							
Nonspendable	-	-	-	-	-	11,961,127	11,961,127
Restricted	7,020,438	-	-	-	-	38,862,294	45,882,732
Committed	-	-	18,124,197	-	-	21,609,967	39,734,164
Unassigned	27,869,735	(5,036,801)	-	(19,025,877)	(8,484,995)	(8,930,762)	(13,608,700)
<b>Total fund balances</b>	<b>34,890,173</b>	<b>(5,036,801)</b>	<b>18,124,197</b>	<b>(19,025,877)</b>	<b>(8,484,995)</b>	<b>63,502,626</b>	<b>83,969,323</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 148,168,716</b>	<b>4,112,211</b>	<b>18,124,197</b>	<b>649,350</b>	<b>2,278,482</b>	<b>89,688,558</b>	<b>263,021,514</b>

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, 2014

Total governmental fund balances (Exhibit 3)	\$ 83,969,323
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	683,797,269
Other assets are not available to pay for current period expenditures and, therefore are deferred inflows in the governmental funds.	65,309,781
An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	19,581,985
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.	(8,538,852)
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	(493,484,822)
Capital lease payable	(5,047,636)
Net OPEB obligation	(218,373,791)
Judgments and claims	(11,586,853)
Compensated absences	(13,012,798)
Landfill closure costs and post closure costs	(4,723,971)
Net position of governmental activities (Exhibit 1)	\$ 97,889,635

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, 2014

	General	CitySquare	Debt Service	DCU Center Construction	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
<b>Revenues:</b>							
Property taxes	\$ 246,742,229	-	-	-	-	-	246,742,229
Motor vehicle excise taxes	13,280,541	-	-	-	-	-	13,280,541
Other taxes and in-lieu payments	4,804,075	-	1,755,248	-	-	-	6,559,323
Penalties and interest on taxes	2,439,959	-	-	-	-	-	2,439,959
Licenses and permits	5,273,740	-	-	-	-	-	5,273,740
Intergovernmental	342,950,128	6,599,325	-	-	2,431,275	82,715,403	434,696,131
Charges for services	5,682,959	-	-	-	-	18,440,845	24,123,804
Fines and forfeitures	3,151,048	-	-	-	-	-	3,151,048
Investment earnings (losses)	484,394	-	-	-	-	2,622,662	3,107,056
Donations	-	-	-	-	356,930	5,639,962	5,996,892
Contributions to permanent funds	-	-	-	-	-	68,969	68,969
Miscellaneous	1,246,159	-	-	-	-	598,758	1,844,917
<b>Total revenues</b>	<b>626,055,232</b>	<b>6,599,325</b>	<b>1,755,248</b>	<b>-</b>	<b>2,788,205</b>	<b>110,086,599</b>	<b>747,284,609</b>
<b>Expenditures:</b>							
Current:							
General government	16,809,098	-	-	-	5,612,098	3,137,319	25,558,515
Public safety	82,546,004	-	-	-	578,777	13,479,627	96,604,408
Health and human services	730,011	-	-	-	11,658	14,130,074	14,871,743
Education	250,818,715	-	-	-	8,449,964	57,400,237	316,668,916
Public works	19,739,457	12,269,365	-	-	927,326	20,670,999	53,607,147
Culture and recreation	8,951,437	-	-	15,888,004	4,750	10,690,378	35,534,569
Fringe benefits	157,319,145	-	-	-	-	-	157,319,145
Community development	-	-	-	-	-	4,256,006	4,256,006
State and regional charges	30,626,410	-	-	-	-	-	30,626,410
Debt service:							
Principal	27,277,820	-	8,639,986	-	-	2,004,353	37,922,159
Interest	21,718,869	-	5,164,823	-	-	1,080,639	27,964,331
<b>Total expenditures</b>	<b>616,536,966</b>	<b>12,269,365</b>	<b>13,804,809</b>	<b>15,888,004</b>	<b>15,584,573</b>	<b>126,849,632</b>	<b>800,933,349</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>9,518,266</b>	<b>(5,670,040)</b>	<b>(12,049,561)</b>	<b>(15,888,004)</b>	<b>(12,796,368)</b>	<b>(16,763,033)</b>	<b>(53,648,740)</b>
<b>Other financing sources (uses):</b>							
Transfers in	3,516,207	-	13,756,394	200,134	331,134	7,668,902	25,472,771
Transfers out	(15,151,997)	-	(500,000)	-	(115,438)	(9,287,421)	(25,054,856)
Premium on issuance of bonds	877,164	-	-	-	-	2,488,496	3,365,660
Issuance of bonds	-	2,029,842	-	2,805,000	23,479,618	24,177,500	52,491,960
Capital lease	5,609,339	-	-	-	-	-	5,609,339
<b>Total other financing sources (uses)</b>	<b>(5,149,287)</b>	<b>2,029,842</b>	<b>13,256,394</b>	<b>3,005,134</b>	<b>23,695,314</b>	<b>25,047,477</b>	<b>61,884,874</b>
<b>Net change in fund balances</b>	<b>4,368,979</b>	<b>(3,640,198)</b>	<b>1,206,833</b>	<b>(12,882,870)</b>	<b>10,898,946</b>	<b>8,284,444</b>	<b>8,236,134</b>
Fund balances – beginning	30,521,194	(1,396,603)	16,917,364	(6,143,007)	(19,383,941)	55,218,182	75,733,189
Fund balances – ending	\$ 34,890,173	(5,036,801)	18,124,197	(19,025,877)	(8,484,995)	63,502,626	83,969,323

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, 2014

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 8,236,134
<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	75,555,122
Capital donations	242,413
Depreciation	(31,604,196)
<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>	
	(10,906,677)
<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	(52,491,960)
Bond and note maturities	37,922,159
Net deferrals and amortization of bond premiums	(2,109,682)
Capital lease	(5,609,339)
<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>	
	195,781
<p>An internal service fund is used by management to charge the cost of self-insured health insurance to individual funds. The activity of the internal service fund is reported with governmental funds.</p>	
	1,666,670
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These amounts represent the net change:</p>	
Net OPEB obligation	(23,984,572)
Capital lease principal payments	561,703
Judgments and claims	61,928
Compensated absences	329,559
Landfill closure and post closure care	45,812
	<hr/>
Change in net position of governmental activities (Exhibit 2)	<u>\$ (1,889,145)</u>

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Net Position

## Proprietary Funds

June 30, 2014

	Business-type activities			Totals	Governmental
	Major		Nonmajor		Internal
	Water	Sewer	Golf Course		Service Fund
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 4,727,250	5,199,671	62,514	9,989,435	24,877,050
Restricted cash and cash equivalents	4,138,474	13,767,284	202,903	18,108,661	-
Receivables (net)	4,201,348	10,494,087	-	14,695,435	1,833,464
Total current assets	13,067,072	29,461,042	265,417	42,793,531	26,710,514
Noncurrent assets:					
Capital assets:					
Land	6,370,950	116,500	-	6,487,450	-
Buildings	43,627,436	5,459,258	965,493	50,052,187	-
Infrastructure	152,961,126	179,492,072	1,709,730	334,162,928	-
Construction in progress	898,111	9,529,568	4,850	10,432,529	-
Equipment and other	532,922	515,744	-	1,048,666	-
Rolling equipment	2,805,338	6,729,685	-	9,535,023	-
Less accumulated depreciation	(90,243,976)	(93,357,584)	(1,150,073)	(184,751,633)	-
Capital assets, net	116,951,907	108,485,243	1,530,000	226,967,150	-
<b>Total assets</b>	130,018,979	137,946,285	1,795,417	269,760,681	26,710,514
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	746,299	3,428,555	70,254	4,245,108	-
Accrued liabilities	729,056	678,547	11,284	1,418,887	7,128,529
Retainage payable	159,024	780,551	4,850	944,425	-
Judgments and claims	269,016	136,875	-	405,891	-
Compensated absences	397,419	171,793	8,888	578,100	-
Temporary loans	6,330,000	12,531,500	120,000	18,981,500	-
Other	2,202	3,360	-	5,562	-
Bonds and notes payable	8,832,550	4,707,303	162,400	13,702,253	-
Total current liabilities	17,465,566	22,438,484	377,676	40,281,726	7,128,529
Noncurrent liabilities:					
Judgments and claims	926,100	1,427,747	-	2,353,847	-
Compensated absences	107,460	40,737	4,226	152,423	-
OPEB payable	3,651,499	2,002,848	128,785	5,783,132	-
Other	2,257	29,621	-	31,878	-
Bonds and notes payable	54,671,444	68,906,880	1,476,800	125,055,124	-
Total noncurrent liabilities	59,358,760	72,407,833	1,609,811	133,376,404	-
<b>Total liabilities</b>	76,824,326	94,846,317	1,987,487	173,658,130	7,128,529
<b>Net position (deficit):</b>					
Net investment in capital assets	51,003,114	35,677,980	(34,037)	86,647,057	-
Unrestricted	2,191,539	7,421,988	(158,033)	9,455,494	19,581,985
<b>Total net position (deficit)</b>	\$ 53,194,653	43,099,968	(192,070)	96,102,551	19,581,985

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, 2014

	<b>Business-type activities</b>			<b>Totals</b>	<b>Governmental activities</b>
	<b>Major</b>		<b>Nonmajor</b>		<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Golf Course</b>		<b>Service Fund</b>
<b>Operating revenues:</b>					
Charges for services	\$ 26,835,759	35,539,044	-	62,374,803	-
Employer contributions	-	-	-	-	59,772,777
Employee contributions	-	-	-	-	18,985,297
Fees	-	-	1,063,667	1,063,667	-
Miscellaneous	1,407,226	722,628	32,731	2,162,585	-
<b>Total operating revenues</b>	<b>28,242,985</b>	<b>36,261,672</b>	<b>1,096,398</b>	<b>65,601,055</b>	<b>78,758,074</b>
<b>Operating expenses:</b>					
Salaries and benefits	10,174,334	5,940,834	321,501	16,436,669	-
Benefit payments	-	-	-	-	77,158,658
Ordinary maintenance	4,545,148	20,666,680	828,502	26,040,330	-
Indirect costs	2,139,586	3,243,300	30,607	5,413,493	-
Depreciation	6,397,058	6,617,566	137,047	13,151,671	-
<b>Total operating expenses</b>	<b>23,256,126</b>	<b>36,468,380</b>	<b>1,317,657</b>	<b>61,042,163</b>	<b>77,158,658</b>
<b>Operating income (loss)</b>	<b>4,986,859</b>	<b>(206,708)</b>	<b>(221,259)</b>	<b>4,558,892</b>	<b>1,599,416</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	-	-	-	-	67,254
Interest expense	(2,642,987)	(2,863,433)	(64,495)	(5,570,915)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(2,642,987)</b>	<b>(2,863,433)</b>	<b>(64,495)</b>	<b>(5,570,915)</b>	<b>67,254</b>
<b>Income (loss) before capital donations and transfers</b>	<b>2,343,872</b>	<b>(3,070,141)</b>	<b>(285,754)</b>	<b>(1,012,023)</b>	<b>1,666,670</b>
Capital grants and donations	136,814	248,841	-	385,655	-
Transfers in	27,500	673,110	233,198	933,808	-
Transfers out	(766,929)	(566,372)	(18,422)	(1,351,723)	-
<b>Change in net position</b>	<b>1,741,257</b>	<b>(2,714,562)</b>	<b>(70,978)</b>	<b>(1,044,283)</b>	<b>1,666,670</b>
Total net position – beginning	51,453,396	45,814,530	(121,092)	97,146,834	17,915,315
Total net position – ending	<b>\$ 53,194,653</b>	<b>43,099,968</b>	<b>(192,070)</b>	<b>96,102,551</b>	<b>19,581,985</b>

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014

	<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	\$ 28,409,882	35,898,825	1,096,398	65,405,105	78,758,074
Payments for interfund service provided	-	-	-	-	(76,559,204)
Payments to suppliers	(7,242,989)	(21,857,023)	(874,655)	(29,974,667)	-
Payments to employees	(9,639,820)	(5,715,022)	(307,390)	(15,662,232)	-
Net cash provided (used) by operating activities	<u>11,527,073</u>	<u>8,326,780</u>	<u>(85,647)</u>	<u>19,768,206</u>	<u>2,198,870</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	27,500	673,110	233,198	933,808	-
Transfers (out)	(766,929)	(566,372)	(18,422)	(1,351,723)	-
Net cash provided (used) by noncapital financing activities	<u>(739,429)</u>	<u>106,738</u>	<u>214,776</u>	<u>(417,915)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Intergovernmental subsidies and grants	6,950	-	-	6,950	-
Issuance of capital debt	11,085,000	22,671,500	220,000	33,976,500	-
Acquisition and construction of capital assets	(6,793,603)	(10,885,409)	-	(17,679,012)	-
Principal paid on capital debt	(13,603,806)	(14,441,500)	(255,800)	(28,301,106)	-
Interest paid on capital debt	(2,722,956)	(2,863,915)	(66,044)	(5,652,915)	-
Net cash provided (used) by capital and related financing activities	<u>(12,028,415)</u>	<u>(5,519,324)</u>	<u>(101,844)</u>	<u>(17,649,583)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Investment income	-	-	-	-	67,254
Net increase (decrease) in cash and cash equivalents	(1,240,771)	2,914,194	27,285	1,700,708	2,266,124
Cash and cash equivalents at beginning of year (includes \$6,001,270, \$12,000,698 and \$153,806 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>10,106,495</u>	<u>16,052,761</u>	<u>238,132</u>	<u>26,397,388</u>	<u>22,610,926</u>
Cash and cash equivalents at end of year (includes \$4,138,474, \$13,767,284 and \$202,903 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>\$ 8,865,724</u>	<u>18,966,955</u>	<u>265,417</u>	<u>28,098,096</u>	<u>24,877,050</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 4,986,859	(206,708)	(221,259)	4,558,892	1,599,416
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities not requiring current expenditure of cash:					
Depreciation expense	6,397,058	6,617,566	137,047	13,151,671	-
Increase in net OPEB obligation	490,331	203,866	12,912	707,109	-
Effect of changes in assets and liabilities requiring current expenditure of cash:					
Accounts receivable	166,897	(362,847)	-	(195,950)	444,563
Accounts payable	(371,729)	1,857,062	(14,347)	1,470,986	-
Accrued liabilities	-	-	-	-	154,891
Judgments and claims payable	(152,519)	206,827	-	54,308	-
Compensated absences payable	10,176	11,014	-	21,190	-
Total adjustments	<u>6,540,214</u>	<u>8,533,488</u>	<u>135,612</u>	<u>15,209,314</u>	<u>599,454</u>
Net cash provided (used) by operating activities	<u>\$ 11,527,073</u>	<u>8,326,780</u>	<u>(85,647)</u>	<u>19,768,206</u>	<u>2,198,870</u>
<b>Noncash investing, capital and financing activities:</b>					
Capital donations	\$ 129,864	248,841	-	378,705	-

See accompanying notes to basic financial statements.





**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

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# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

### (1) Summary of Significant Accounting Policies

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

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

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

#### **Primary Government**

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2014, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2013.

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

#### **Discretely Presented Component Units**

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

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.
- The **Worcester Redevelopment Authority** (WRA) was organized under state law as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. Complete financial statements can be obtained from the Office of Budget and Operational Analysis, Chief Financial Officer, Worcester Redevelopment Authority, 455 Main Street, Worcester, Massachusetts 01608.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

#### **Joint Venture**

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2014 amounted to \$2,986, which represented approximately 71.6% 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, 2014, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statement No. 25*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows of resources, which represents the acquisition of net position/fund balances that apply to a future period(s) and so will not be recognized as an inflow of resources until that time. The implementation of GASB Statement No. 67 expanded note disclosures and required supplementary information related to WRS.

The implementations of GASB Statement No. 66 and 70 had no reporting impact for the City.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

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

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

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

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

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) claims and judgments (including self-insurance), compensated absences and landfill closure and post closure care costs, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources including state and federal grants and the proceeds from the issuance of bonds used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for CitySquare, North High School, Airport, DCU Improvements, and other debt service.
- **DCU Center Construction Fund** – The DCU Center construction fund was established to account for improvements to the City's civic center and arena.
- **Rehabilitation of Public Buildings Fund** – The rehabilitation of public buildings fund accounts for improvements to City owned buildings.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

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

The City reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to city users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the city.

Additionally, the City reports the following fund types:

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

**Cash Equivalents**

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

**Basis of Investment Valuation**

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

The City's alternative investments are recorded at fair market value as determined in good faith by the general partners of the alternative investment firms. The City's investments in real estate funds are recorded at fair value, based on independent third party appraisals as reported by the investment managers of the funds. As there is no readily available market for these investments, estimated values may differ significantly from the values that may be realized upon liquidation.

**Basis of Investment Transactions**

Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as payables for securities purchased and as receivables for securities sold.

**Property Taxes**

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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, 2014, 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 2014. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

#### **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 no items that qualify for reporting in this category.

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 only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from resources from three sources, school construction reimbursement; property taxes, and other unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

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

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

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

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

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

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

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

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

“Committed” — represents amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing City Council is the highest level of decision-making authority for the City that can, by adoption of an order prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation.

“Assigned” — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. The governing City Council has the authority to assign fund balance (by adoption of an order) as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

The City adopted a general fund balance policy in November 2006. It is the City’s policy to maintain unassigned general fund balance on a budgetary basis of accounting equal to or greater than 5-percent of general fund revenues.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

### **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, 2014, 100% of the City's expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and post closure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net position. Expenditures related to MSWLF closure and post closure care in fiscal 2014 were \$45.

### **Judgments and Claims**

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

### **Long-Term Liabilities**

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

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

### **Investment Income**

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

### **Use of Estimates**

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

### **Total Column**

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

## **(2) Property Taxes**

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

## **(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.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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 2014, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$3,821. In fiscal 2014, expenditures exceeded appropriations for intergovernmental expenditures. The over-expenditure was funded by revenue surpluses generated during fiscal year 2014.

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

The Massachusetts General Laws (MGL) place limitations on the nature of deposits and investments that are 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**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2014, \$223,859 of the City's bank balance of \$265,483 was insured and collateralized with securities held by pledging financial institutions, and \$41,624 was uninsured and uncollateralized.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Investments Summary

The City's investments at June 30, 2014, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 546	13	399	81	53
U.S. Agencies.....	44	-	-	1	43
Corporate bonds.....	209	7	48	67	87
Money market mutual funds.....	456	456	-	-	-
Commercial paper.....	5,271	5,271	-	-	-
Mutual bond funds.....	2,728	2,728	-	-	-
Fixed income securities.....	1,940	1,940	-	-	-
External investment pools.....	34,450	34,450	-	-	-
Total debt securities.....	<u>45,644</u>	<u>44,865</u>	<u>447</u>	<u>149</u>	<u>183</u>
<u>Other Investments:</u>					
Equity securities.....	1,048				
Equity mutual funds.....	<u>5,881</u>				
Total other investments.....	<u>6,929</u>				
Total investments.....	<u>\$ 52,573</u>				

Investments - Interest Rate Risk of Debt Securities

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2014, none of the City's investments were exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Certain trust funds can invest in securities that are rated below AAA. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2014, the credit quality ratings (per Standard & Poors, a national credit rating organization) of the City's investment in debt securities (including implicitly-guaranteed investments in U.S. Agencies) are as follows:

<u>Quality Ratings</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Commercial Paper</u>	<u>Mutual Bond Funds</u>	<u>Fixed Income Securities</u>	<u>External Investment Pools</u>	<u>Totals</u>
AAA.....	\$ -	-	-	82	-	-	-	82
AA+.....	44	8	-	-	-	-	-	52
AA.....	-	7	-	255	-	-	-	262
AA-.....	-	-	-	151	-	-	-	151
A+.....	-	-	-	407	-	-	-	407
A.....	-	17	-	451	-	-	-	468
A-.....	-	56	-	808	-	-	-	864
BBB+.....	-	35	-	269	-	-	-	304
BBB.....	-	44	-	466	-	-	-	510
BBB-.....	-	42	-	544	-	-	-	586
BB+.....	-	-	-	202	-	-	-	202
BB.....	-	-	-	313	-	-	-	313
BB-.....	-	-	-	310	-	-	-	310
B.....	-	-	-	13	-	-	-	13
Unrated.....	-	-	456	1,000	2,728	1,940	34,450	40,574
Total.....	\$ 44	209	456	5,271	2,728	1,940	34,450	45,098

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

***(b) Deposits and Investments of the WRS***

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2013, the WRS's bank balance of \$835 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 57,482	\$ 651	24,647	19,582	12,602
U.S. Agencies.....	13,886	1	2,880	1,583	9,422
Corporate bonds.....	15,169	-	7,412	5,273	2,484
Money market mutual funds.....	3,071	3,071	-	-	-
Securities lending short-term collateral investment pool....	23,667	23,667	-	-	-
Other fixed income.....	54,166	40,767	696	-	12,703
Total debt securities.....	167,441	\$ 68,157	\$ 35,635	\$ 26,438	\$ 37,211
<u>Other Investments:</u>					
Equity securities.....	17,505				
Equity mutual funds.....	401,468				
Real estate investments.....	106,653				
Alternative investments.....	127,900				
Total other investments.....	653,526				
Total investments.....	\$ 820,967				

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2013, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS does not have a policy for credit risk of debt securities.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

As of December 31, 2013, the credit quality ratings of the WRS's debt securities are as follows:

Quality Ratings *	Investment Type					Fair Value
	U.S. Agencies	Corporate Bonds	Money Market Mutual Funds	Securities Lending Pool	Other Fixed Income	
AAA.....	\$ 207	-	-	-	2,457	2,664
AA+.....	4,710	1,263	-	-	196	6,169
AA.....	1,140	472	-	-	-	1,612
AA-.....	978	-	-	-	-	978
A+.....	-	491	-	-	-	491
A.....	578	2,132	-	-	-	2,710
A-.....	-	1,423	-	-	451	1,874
BBB+.....	-	4,368	-	-	-	4,368
BBB.....	-	1,795	-	-	-	1,795
BBB-.....	-	2,728	-	-	-	2,728
BB.....	-	-	-	-	114	114
CCC.....	-	-	-	-	68	68
CC.....	-	-	-	-	176	176
D.....	-	-	-	-	4	4
Unrated.....	6,183	497	3,071	23,667	50,700	84,118
<b>Total.....</b>	<b>\$ 13,796</b>	<b>15,169</b>	<b>3,071</b>	<b>23,667</b>	<b>54,166</b>	<b>109,869</b>

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

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2013, the WRS was not exposed to foreign currency risk.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS’s investment in a single issuer. The WRS’s policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2013, the WRS was not exposed to concentration of credit risk.

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

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

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2014, the District’s deposits were fully insured and collateralized.

Investments Summary

The District’s investments at June 30, 2014, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Agencies	\$ 2,074	<u>902</u>	<u>1,172</u>
 <u>Other Investments:</u>			
Cash	637		
Equity securities - Domestic	1,813		
Equity securities - International	<u>65</u>		
Total investments	<u>\$ 4,589</u>		

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

At June 30, 2014, the District had a net unrealized gain of \$627 on its investments.

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure by the custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's securities are the custody of Fidelity Investments at June 30, 2014. The District's securities are protected under Securities and Exchange Commission Rule 15c3-3. As of June 30, 2014, none of the District's investments were subject to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will default on its obligations. The District's policy for credit risk of debt securities restricts investment to debt obligations maintaining a Aaa rating by Moody's rating service or are full faith obligations of the U.S. Treasury. As of June 30, 2014, the credit quality ratings of the District's debt securities are as follows:

<u>Quality Rating</u>	<u>U.S. Agencies</u>
Aaa	\$ 2,074

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. Obligations of the U.S. Treasury, U.S. government agencies and money market funds are exempted from this restriction. As of June 30, 2014, the District had no investments with a single issuer that represented 5 percent or more of the District's total investments.

Investments recorded as current assets are available for operating purposes. Investments recorded as noncurrent assets have been designated as reserved for plant replacement and pollution insurance claims.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRA's deposits may not be recovered. The WRA does not have a policy for custodial credit risk of deposits. As of June 30, 2014, none of the WRA's bank balance of \$127 was uninsured and uncollateralized.

***(e) Securities Lending***

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

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, 2013. 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, 2013, 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, 2013 was \$24,153 and \$23,667, respectively. Borrower rebates and fees paid to the broker were \$59 for the year ended December 31, 2013.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

The City provides pension benefits to certain employees through 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. For the year ended December 31, 2013, the City's payroll for employees covered by WRS was approximately \$150,000; the City's total payroll was approximately \$352,000. 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 City Hall.

The WRS' financial statements are prepared on the accrual basis of accounting. The WRS' fiduciary net position has been determined on this basis of accounting. The valuation of WRS' investments is as described in Note 1.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent, full-time employees working at least 20 hours weekly, except for (1) employees eligible to participate in the Massachusetts Teachers' Retirement System (as discussed in note 6); and (2) employees of the District, who are covered by the state Retirement System. Disclosures applicable to the District's retirement plan are not material.

Membership in WRS was as follows at December 31, 2013:

Active employees	3,293
Pensioners and beneficiaries	2,733
Inactive employees with vested rights	<u>712</u>
Total members	<u>6,738</u>
Number of participating employers	<u>2</u>

**(b) Significant Plan Provisions and Requirements**

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).

## CITY OF WORCESTER, MASSACHUSETTS

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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.

#### (c) ***Funding Policy***

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

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Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$1,956 for the fiscal year ended June 30, 2014 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

The current and two preceding years' apportionment of the annual required contributions between the employers required the City to contribute approximately 91%, 91%, and 91% respectively of the total.

**(d) Annual Pension Cost**

For the year ended June 30, 2014 the required contribution was \$35,084 and actual contribution was \$35,270 due to a military service pension contribution. For the year ended June 30, 2013 the required and actual contribution was \$32,246 and for the year ended June 30, 2012 the required and actual contribution was \$29,720. At June 30, 2014, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2014, actuarial valuation using the entry age normal actuarial cost method.

**(e) Funded Status and Funding Progress**

The funded status of the WRS at January 1, 2014, the most recent actuarial valuation date, is as follows:

<b>Schedule of funding progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Liability (AAL) Entry Age Normal Cost (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Projected Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
1/1/2014	\$ 770,334	1,170,626	400,292	65.81%	\$ 168,856	237.06%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

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*(f) Methods and Assumptions*

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

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002 and 2010 ERI liability; payment on the remaining unfunded liability increases 4.0% per year, beginning with fiscal year 2016 payment.
Remaining amortized	4 years for the 2002 ERI liability
Period (period is closed)	7 years for the 2010 ERI liability 17 years for the remaining unfunded liability 16 years is the equivalent single amortization period (ESAP)
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the market value.

Actuarial assumptions

Discount rate and investment rate of return	7.75%
Projected salary increases	3.5% for 2014 and 2015 with an allowance for inflation of 3.0%, and 4.5% thereafter, with an allowance for inflation of 4.0% (previously, 4.5% for all years with an allowance for inflation of 3.5%)
Rate of inflation	3.5% (3.0% for 2014 and 2015)
Cost of living adjustments	3.0% of the first \$13 of retirement income

**CITY OF WORCESTER, MASSACHUSETTS**

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**(g) Legally Required Reserve Accounts**

The balance in WRS's legally required reserves as of December 31, 2013 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 178,648	Active members' contribution balance
Annuity Reserve Fund	55,629	Retired members' contribution account
Military Service Fund	202	Members' contribution account while on military leave
Pension Reserve Fund	565,864	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>6,647</u>	Remaining net assets
 Total	 <u>\$ 806,990</u>	

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

**(6) Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan**

**(a) Plan Description**

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City's payroll covered by this plan in fiscal 2014 was approximately \$168,176. Eligibility requirements for participation are as follows:

- The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- The employee must be certified by the Massachusetts Department of Education for a position, which requires certification.

Benefit provisions and contribution requirements are established by state law.

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**(b) Significant Plan Provisions and Requirements**

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. The contribution rate will be reduced to 8% of regular compensation when at least 30 years of creditable service has been granted. Employee contributions vest immediately. 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. Benefits are 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 (five-year average if hired on or after April 2, 2012) of employee service and are determined in a manner similar to the provisions of WRS (see note 5).

MGL Chapter 114 of the Acts of 2000 allows for all eligible members of the Massachusetts Teachers' Retirement System to contribute at a flat 11% rate as of July 1, 2001 in order to receive a retirement benefit enhancement. This benefit enhancement requires a minimum of five years of contribution at this 11% rate and at least thirty years of creditable service in order to receive accelerated retirement benefits up to the statutory maximum of 80%. Contribution at this 11% was voluntary for existing members of the retirement system and is mandated to all new members as of July 1, 2001.

The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The amount of these on-behalf payments from the Commonwealth totaled \$59,798 for the fiscal year ended June 30, 2014 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

**(7) Other Postemployment Benefits (OPEB)**

**(a) Plan Description - City**

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

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

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

**(b) Funding Policy - City**

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

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

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

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

	<u>Amount</u>
Annual required contribution	\$ 46,493
Interest on net OPEB obligation	7,979
Adjustment to annual required contribution	<u>(6,649)</u>
Annual OPEB cost	47,823
Contributions made	<u>(23,131)</u>
Increase in net OPEB obligation	24,692
Net OPEB obligation at beginning of year	<u>199,465</u>
Net OPEB obligation at end of year	<u><u>\$ 224,157</u></u>

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Notes to the Basic Financial Statements

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(In thousands of dollars)

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed (%)</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 39,370	52.1 %	\$ 178,879
June 30, 2013	40,966	49.7	199,465
June 30, 2014	47,823	48.4	224,157

*(d) Funded Status and Funding Progress - City*

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*(e) Methods and Assumptions - City*

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

**CITY OF WORCESTER, MASSACHUSETTS**

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

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

*(f) Allocation of AOPEBC - City*

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

<b>Governmental Activities:</b>	
General government	\$ 3,200
Public safety	10,444
Health and human services	438
Education	29,360
Public works	1,727
Culture and recreation	<u>1,198</u>
Total AOPEBC - governmental activities	<u>46,367</u>
<b>Business-Type Activities:</b>	
Water	1,036
Sewer	407
Golf course (nonmajor)	<u>13</u>
Total AOPEBC - business-type activities	<u>1,456</u>
Total AOPEBC	<u>\$ 47,823</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

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

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

The number of participants as of June 30, 2013, the latest actuarial valuation, is as follows:

Active employees	49
Retired employees, beneficiaries and dependents	<u>21</u>
Total	<u><u>70</u></u>

**(h) Funding Policy – The District**

The contribution requirements of Plan members and the District are established and may be amended by GIC. Ten to fifteen percent of contributions are paid by retirees. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

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

	<u>Amount</u>
Annual required contribution	\$ 408
Interest on net OPEB obligation	72
Adjustment to annual required contribution	<u>(64)</u>
Annual OPEB cost	416
Contributions made	<u>(240)</u>
Increase in net OPEB obligation	176
Net OPEB obligation at beginning of year	<u>2,060</u>
Net OPEB obligation at end of year	\$ <u><u>2,236</u></u>

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed (%)</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 546	27.7 %	\$ 1,863
June 30, 2013	403	51.2	2,060
June 30, 2014	416	57.7	2,236

**CITY OF WORCESTER, MASSACHUSETTS**

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**(j) Funded Status and Funding Progress – The District**

The funded status of the Plan at June 30, 2013, the most recent actuarial valuation, was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Payroll ((B-A)/C)</b>
06/30/13	\$ -	\$ 9,669	\$ 9,669	0.0%	\$ 3,168	305%

**(k) Methods and Assumptions – The District**

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

Valuation date:	June 30, 2013
Actuarial cost method:	Projected Unit Credit
Amortization period:	30 year level percent of pay assuming 4.0% increasing, opening basis
Interest discount rate:	3.5%
Inflation rate:	4.0%
Healthcare/Medical cost trend rate:	6.0% initially reduced to 4.5% after three years

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

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**(8) Accounts Receivable**

At June 30, 2014, 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</u>	<u>Allowance</u>	<u>Net</u>
	<u>Amount</u>	<u>for</u>	<u>Amount</u>
		<u>Uncollectibles</u>	
<u>Receivables:</u>			
Governmental Funds			
Property taxes	\$ 8,577	(3,779)	4,798
Tax liens	4,094	(408)	3,686
Motor vehicle excise taxes	6,102	(4,069)	2,033
Special assessments	3,958	-	3,958
Departmental and other	5,169	(2,517)	2,652
	<u>27,900</u>	<u>(10,773)</u>	<u>17,127</u>
Intergovernmental	56,993	-	56,993
Total governmental funds	<u>84,893</u>	<u>(10,773)</u>	<u>74,120</u>
Internal Service Fund			
Self-insured health plan	1,833	-	1,833
Total internal service fund	<u>1,833</u>	<u>-</u>	<u>1,833</u>
Fiduciary Fund			
Departmental and other	11,572	-	11,572
Intergovernmental	529	-	529
Total fiduciary funds	<u>12,101</u>	<u>-</u>	<u>12,101</u>
Total receivables	<u>\$ 98,827</u>	<u>(10,773)</u>	<u>88,054</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

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At June, 30, 2014, receivables for the enterprise funds are as follows:

	<b>Gross</b>	<b>Allowance</b>	<b>Net</b>
	<b>Amount</b>	<b>for</b>	<b>Amount</b>
	<u>Amount</u>	<u>Uncollectibles</u>	<u>Amount</u>
<u>Receivables:</u>			
Charges for services	\$ 12,598	-	12,598
Utility liens	1,752	-	1,752
Special assessments	345	-	345
Total enterprise funds	<u>\$ 14,695</u>	<u>-</u>	<u>14,695</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</b>	<b>Other</b>	
	<b>Fund</b>	<b>Governmental</b>	<b>Total</b>
	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<u>Deferred Inflows of Resources Type:</u>			
Unavailable revenue-school construction reimbursement			
Intergovernmental (school construction)	\$ 49,319	-	49,319
Unavailable revenue-property taxes			
Property taxes	3,303	-	3,303
Tax liens	3,533	-	3,533
	<u>6,836</u>	<u>-</u>	<u>6,836</u>
Unavailable revenue-other			
Special assessments	3,958	-	3,958
Departmental and other	1,692	960	2,652
Motor vehicle excise tax	1,229	-	1,229
Intergovernmental (other state)	1,315	-	1,315
	<u>8,194</u>	<u>960</u>	<u>9,154</u>
Total deferred inflows of resources	<u>\$ 64,349</u>	<u>960</u>	<u>65,309</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

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The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2014, \$15,203 of such assistance was received. Approximately \$61,184 will be received in future fiscal years. Of this amount, \$11,865 represents reimbursement of long-term interest costs, and \$49,319 represents reimbursement of approved construction costs. Accordingly, a \$49,319 intergovernmental receivable and corresponding deferred inflow of resources have been reported in the governmental funds financial statements. The deferred inflow of resources has been recognized as revenue in the conversion to the government-wide financial statements.

**(9) Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

***Primary Government***

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 20,400	460	-	20,860
Construction in progress	<u>120,362</u>	<u>35,953</u>	<u>18,132</u>	<u>138,183</u>
Total capital assets not being depreciated	<u>140,762</u>	<u>36,413</u>	<u>18,132</u>	<u>159,043</u>
Capital assets, being depreciated:				
Buildings	573,430	31,881	-	605,311
Improvements other than buildings	37,536	6,068	-	43,604
Rolling equipment	29,113	780	-	29,893
Equipment and other	16,503	6,792	-	23,295
Infrastructure	<u>226,559</u>	<u>11,996</u>	<u>-</u>	<u>238,555</u>
	<u>883,141</u>	<u>57,517</u>	<u>-</u>	<u>940,658</u>
Less accumulated depreciation for:				
Buildings	225,657	17,499	-	243,156
Improvements other than buildings	10,193	1,931	-	12,124
Rolling equipment	23,658	1,125	-	24,783
Equipment and other	14,077	1,124	-	15,201
Infrastructure	<u>110,714</u>	<u>9,926</u>	<u>-</u>	<u>120,640</u>
	<u>384,299</u>	<u>31,605</u>	<u>-</u>	<u>415,904</u>
Total capital assets being depreciated, net	<u>498,842</u>	<u>25,912</u>	<u>-</u>	<u>524,754</u>
Governmental capital assets, net	<u>\$ 639,604</u>	<u>62,325</u>	<u>18,132</u>	<u>683,797</u>

**CITY OF WORCESTER, MASSACHUSETTS**

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

Governmental activities:	
General government	\$ 77
Public safety	1,438
Public works	11,775
Education	11,959
Health and human services	215
Culture and recreation	<u>6,141</u>
Total depreciation expense – governmental activities	<u>\$ 31,605</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	\$ 6,044	327	-	6,371
Construction in progress	<u>1,474</u>	<u>159</u>	<u>735</u>	<u>898</u>
Total capital assets, not being depreciated	<u>7,518</u>	<u>486</u>	<u>735</u>	<u>7,269</u>
Capital assets, being depreciated:				
Buildings	41,640	1,987	-	43,627
Rolling equipment	2,484	376	54	2,806
Infrastructure	148,254	4,707	-	152,961
Equipment and other	<u>403</u>	<u>130</u>	<u>-</u>	<u>533</u>
Total capital assets, being depreciated	<u>192,781</u>	<u>7,200</u>	<u>54</u>	<u>199,927</u>
Less accumulated depreciation for:				
Buildings	18,621	1,181	-	19,802
Rolling equipment	1,942	137	24	2,055
Infrastructure	63,133	5,037	-	68,170
Equipment and other	<u>175</u>	<u>42</u>	<u>-</u>	<u>217</u>
Total accumulated depreciation	<u>83,871</u>	<u>6,397</u>	<u>24</u>	<u>90,244</u>
Total capital assets, being depreciated, net	<u>108,910</u>	<u>803</u>	<u>30</u>	<u>109,683</u>
Water capital assets, net	<u>116,428</u>	<u>1,289</u>	<u>765</u>	<u>116,952</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Construction in progress	<u>5,322</u>	<u>4,689</u>	<u>481</u>	<u>9,530</u>
Total capital assets, not being depreciated	<u>5,439</u>	<u>4,689</u>	<u>481</u>	<u>9,647</u>
Capital assets, being depreciated:				
Buildings	4,948	511	-	5,459
Rolling equipment	6,413	537	221	6,729
Infrastructure	173,165	6,327	-	179,492
Equipment and other	<u>516</u>	<u>-</u>	<u>-</u>	<u>516</u>
Total capital assets, being depreciated	<u>185,042</u>	<u>7,375</u>	<u>221</u>	<u>192,196</u>
Less accumulated depreciation for:				
Buildings	1,866	206	-	2,072
Rolling equipment	3,728	494	210	4,012
Infrastructure	81,113	5,871	-	86,984
Equipment and other	<u>243</u>	<u>47</u>	<u>-</u>	<u>290</u>
Total accumulated depreciation	<u>86,950</u>	<u>6,618</u>	<u>210</u>	<u>93,358</u>
Total capital assets, being depreciated, net	<u>98,092</u>	<u>758</u>	<u>11</u>	<u>98,838</u>
Sewer capital assets, net	<u>103,531</u>	<u>5,447</u>	<u>492</u>	<u>108,485</u>
 Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</u>
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>1,710</u>
Total capital assets, being depreciated	<u>2,676</u>	<u>-</u>	<u>-</u>	<u>2,676</u>
Less accumulated depreciation for:				
Buildings	275	43	-	318
Infrastructure	<u>739</u>	<u>94</u>	<u>-</u>	<u>833</u>
Total accumulated depreciation	<u>1,014</u>	<u>137</u>	<u>-</u>	<u>1,151</u>
Total capital assets, being depreciated, net	<u>1,662</u>	<u>(137)</u>	<u>-</u>	<u>1,525</u>
Golf capital assets, net	<u>1,663</u>	<u>(132)</u>	<u>1</u>	<u>1,530</u>
Business-type activities capital assets, net	<u>\$ 221,622</u>	<u>6,604</u>	<u>1,258</u>	<u>226,967</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component				
units - The District:				
Capital assets, not being depreciated				
Land	\$ 702	-	-	702
Construction in progress	<u>204</u>	<u>1,100</u>	<u>-</u>	<u>1,304</u>
Total capital assets, not being depreciated	<u>906</u>	<u>1,100</u>	<u>-</u>	<u>2,006</u>
Capital assets, being depreciated:				
Treatment facilities	249,101	266	-	249,367
Equipment and other	<u>7,477</u>	<u>426</u>	<u>105</u>	<u>7,798</u>
Total capital assets, being depreciated	<u>256,578</u>	<u>692</u>	<u>105</u>	<u>257,165</u>
Less accumulated depreciation for:				
Treatment facilities	65,211	9,050	-	74,261
Equipment and other	<u>3,909</u>	<u>367</u>	<u>105</u>	<u>4,171</u>
Total accumulated depreciation	<u>69,120</u>	<u>9,417</u>	<u>105</u>	<u>78,432</u>
Total capital assets, being depreciated, net	<u>187,458</u>	<u>(8,725)</u>	<u>-</u>	<u>178,733</u>
The District's capital assets, net	\$ <u><u>188,364</u></u>	<u><u>(7,625)</u></u>	<u><u>-</u></u>	<u><u>180,739</u></u>
Discretely presented component				
units - WRA:				
Capital assets, not being depreciated				
Land	\$ 1,270	-	-	1,270
Construction in progress	<u>160</u>	<u>23</u>	<u>81</u>	<u>102</u>
Total capital assets, not being depreciated	<u>1,430</u>	<u>23</u>	<u>81</u>	<u>1,372</u>
Capital assets, being depreciated:				
Buildings	40,197	-	-	40,197
Equipment and other	<u>176</u>	<u>-</u>	<u>-</u>	<u>176</u>
Total capital assets, being depreciated	<u>40,373</u>	<u>-</u>	<u>-</u>	<u>40,373</u>
Less accumulated depreciation for:				
Buildings	11,910	1,031	-	12,941
Equipment and other	<u>113</u>	<u>5</u>	<u>-</u>	<u>118</u>
Total accumulated depreciation	<u>12,023</u>	<u>1,036</u>	<u>-</u>	<u>13,059</u>
Total capital assets, being depreciated, net	<u>28,350</u>	<u>(1,036)</u>	<u>-</u>	<u>27,314</u>
WRA capital assets, net	\$ <u><u>29,780</u></u>	<u><u>(1,013)</u></u>	<u><u>81</u></u>	<u><u>28,686</u></u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

***Construction Commitments***

The City has active construction projects as of June 30, 2014. 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, 2014</u>	<u>Remaining commitment</u>
Infrastructure improvements	\$ 69,233	40,806
Building improvements	29,182	10,788
Land improvements	6,212	1,117
Total	<u>\$ 104,627</u>	<u>52,711</u>

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

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

Net investment in capital assets at June 30, 2014 is summarized as follows:

***Governmental Activities***

Capital assets	\$ 1,099,701
Less accumulated depreciation	(415,904)
Less outstanding long-term debt (including capital leases)	(490,656)
Less outstanding temporary debt	(53,344)
Add outstanding debt that is not capital related	168,218
Add unspent proceeds of capital related debt	<u>25,703</u>
Net investment in capital assets	<u>\$ 333,718</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

***Business-Type Activities***

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds, Business-Type Activities</u>
Capital assets	\$ 207,196	201,843	2,681	411,720
Less accumulated depreciation	(90,244)	(93,358)	(1,151)	(184,753)
Less outstanding long-term debt	(63,504)	(73,614)	(1,639)	(138,757)
Less outstanding temporary debt	(6,330)	(12,532)	(120)	(18,982)
Add unspent proceeds of capital related debt	<u>3,885</u>	<u>13,339</u>	<u>195</u>	<u>17,419</u>
Net investment in capital assets	<u>\$ 51,003</u>	<u>35,678</u>	<u>(34)</u>	<u>86,647</u>

**(11) Lease Obligations**

(a) ***Capital Lease*** – This year, the City entered into a lease agreement as lessee for financing the acquisition of computer equipment for schools valued at \$5,609. The equipment has a five-year estimated useful life. This year, \$561 was included in depreciation expense. The net book value of the equipment is \$5,048. 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, 2014, were as follows:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 1,209
2016	1,209
2017	1,209
2018	1,209
2019	<u>604</u>
Total minimum lease payments	5,440
Less: amount representing interest	<u>(392)</u>
Present value of minimum lease payments	<u>\$ 5,048</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

The portion of the capital lease that is due within one year is \$1,060 and amounts due in more than one year total \$ 3,988.

*(b) Operating Lease* - The City currently conducts part of its student transportation operations from a leased facility and bus yard under a non-cancelable operating lease. Total costs for the lease was \$166 for the year ended June 30, 2014, including \$156 for the lease and \$10 for utilities. Future minimum lease payments for the lease are as follows:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 159
2016	159
2017	159
2018	159
Total	<u>\$ 636</u>

**(12) Long-Term Obligations**

*(a) Primary Government*

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>Interest percentage range</u>	<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	(2.00%-6.90%)	\$ 170,495	47,532	19,530	198,497	22,070
Outside debt limit	(2.00%-6.00%)	296,261	4,960	18,273	282,948	22,875
Notes payable – Section 108	(5.80%-6.00%)	4,283	-	119	4,164	126
Capital lease payable	(3.15%)	-	5,609	561	5,048	1,060
Judgments and claims		11,649	2,531	2,593	11,587	1,736
Compensated absences		13,342	8,905	9,236	13,011	8,538
Landfill closure and post closure care costs		4,770	-	46	4,724	-
Other post employment benefits		194,389	46,367	22,382	218,374	-
Deferred amounts on bond premium		5,766	3,366	1,255	7,877	1,189
		<u>\$ 700,955</u>	<u>119,270</u>	<u>73,995</u>	<u>746,230</u>	<u>57,594</u>

For governmental activities, bonds and notes payable are liquidated by the general fund, debt service fund and various other governmental funds. Claims and judgments, compensated absences and landfill closure and post closure care are generally liquidated by the general fund.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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>Interest percentage range</u>	<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	(2.00%-5.25%)	\$ 9,954	2,115	1,461	10,608	1,473
Outside debt limit	(2.00%-5.50%)	125,545	12,880	11,756	126,669	12,138
MWPAT note payable	(2.00%-2.50%)	1,645	-	165	1,480	92
Judgments and claims		2,705	469	414	2,760	406
Compensated absences		709	577	556	730	578
Other post employment benefits		5,076	1,456	749	5,783	-
Deferred amounts on bond premium		44	-	6	38	5
		<u>\$ 145,678</u>	<u>17,497</u>	<u>15,107</u>	<u>148,068</u>	<u>14,692</u>

On November 1, 2013 the City issued \$67,487 of general obligation bonds. The proceeds consisted of \$52,492 for governmental activities and \$14,995 for business-type activities.

**(b) Maturity of Bond Indebtedness**

Bond indebtedness outstanding at June 30, 2014 matures as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>			
	<u>Governmental Funds</u>		<u>Water</u>		<u>Sewer</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2015	\$ 44,945	22,329	8,833	2,423	4,616	2,775
2016	43,071	20,327	9,104	2,056	4,494	2,594
2017	40,566	18,419	6,465	1,724	4,209	2,420
2018	37,368	16,598	4,908	1,482	4,095	2,249
2019	34,532	14,901	4,040	1,292	3,875	2,086
2020-2024	144,711	52,108	13,384	4,516	19,100	8,111
2025-2029	101,173	19,514	8,618	2,296	15,257	4,513
2030-2034	21,185	4,707	4,448	1,110	9,021	2,311
2035-2039	12,792	1,284	3,704	295	7,467	602
2040-2041	1,102	38	-	-	-	-
	<u>\$ 481,445</u>	<u>170,225</u>	<u>63,504</u>	<u>17,194</u>	<u>72,134</u>	<u>27,661</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Year ending June 30:	<b>Business-type activities Golf course (nonmajor)</b>		<b>Business-type activities totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	2015	\$ 162	60	13,611
2016	165	53	13,763	4,703
2017	168	48	10,842	4,192
2018	173	41	9,176	3,772
2019	176	35	8,091	3,413
2020-2024	472	104	32,956	12,731
2025-2029	268	33	24,143	6,842
2030-2034	42	6	13,511	3,427
2035-2039	13	1	11,184	898
2040-2042	<u>\$ 1,639</u>	<u>381</u>	<u>137,277</u>	<u>45,236</u>

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 \$4,164. The City also has loan agreements with the Massachusetts Clean Water Trust (MCWT) to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of \$1,480.

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MCWT loans as of June 30, 2014 are as follows:

Year ending June 30:	<b>Governmental activities</b>	
	<b>General fund</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 126	237
2016	131	230
2017	138	223
2018	145	215
2019	1,906	157
2020-2024	486	445
2025-2029	<u>1,232</u>	<u>37</u>
	<u>\$ 4,164</u>	<u>1,543</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

	<b>Business-type activities</b>				<b>Business-type</b>	
	<b>Sewer</b>				<b>activities totals (net)</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Anticipated subsidy</b>		<b>Principal</b>	<b>Interest</b>
		<b>Principal</b>	<b>Interest</b>			
Year ending June 30:						
2015	\$ 92	47	-	14	92	33
2016	93	42	-	14	93	28
2017	93	38	-	13	93	25
2018	99	34	-	12	99	22
2019	100	30	-	11	100	19
2020-2024	557	90	12	29	545	61
2025-2029	237	33	-	-	237	33
2030-2033	209	9	-	-	209	9
	<u>\$ 1,480</u>	<u>323</u>	<u>12</u>	<u>93</u>	<u>1,468</u>	<u>230</u>

**(c) Authorized and Unissued Debt**

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Authorized and unissued debt at June 30, 2014 is as follows:

Inside debt limit:

Building rehabilitation	\$	48,484
School construction		48,120
Street construction		39,495
School building ESCO projects		23,120
Parks improvements		17,897
Union Station garage		17,835
Departmental equipment		13,756
Courthouse rehabilitation		4,000
Street signage and wayfinding improvements		3,000
Blackstone Valley Visitors' Center		2,910
Sewer building rehabilitation		2,650
Sewer equipment		2,191
Water building rehabilitation		1,950
Traffic signals		1,860
Major Taylor Garage Walkway		1,850
Dam improvements		1,375
Off-street parking		1,155
Greenhill Golf Course building rehabilitation		1,000
Urban Systems Gateway		965
Greenhill Golf Course equipment		900
Nelson Place elementary school		801
Land acquisition		525
Greenhill Golf Course infrastructure		500
Major Taylor garage		410
Vocational School construction		410
South Worcester Industrial Park		350
Bridge construction		300
Building demolition		269
Worcester Common rehabilitation		155
Greenhill Golf Course access road		80
Total inside debt limit		<u>238,313</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Outside debt limit:

CitySquare	70,925
Sewer construction	55,059
Water mains	17,425
DCU Center building improvements	16,205
Reservoir rehabilitation	7,360
Surface drain construction	3,485
Water filtration	3,335
Solar filtration	1,434
Water equipment	1,403
Greenhill Golf Course design	975
Watershed land	900
Water hydrants	750
Water Meters	600
December ice storm 2008	575
Greenhill Golf Course facilities	195
Total outside debt limit	<u>180,626</u>
Total inside and outside debt limit	<u>\$ 418,939</u>

At June 30, 2014, in addition to debt authorized but unissued, the City may issue \$161,264 of additional general obligation debt under the normal debt limit. The City had \$409,617 of outstanding debt exempt from the debt limit.

**(d) Advance Refunding's**

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2014, \$78,670 of bonds outstanding are considered defeased.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

Long-term obligations consisted of the following at June 30, 2014:

1997 General Obligation Bonds issued to the Massachusetts Clean Water Trust (MCWT). The bonds are payable in varying principal amounts at an average coupon rate of 5.528% with a final payment due February 1, 2017.	\$ 2,689
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.	395
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.	215
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.139% with a final payment due March 15, 2023.	6,150
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.	37,169
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.	5,029
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.	21,631
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.934%.	4,765
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.	10,259
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.	6,245
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.	20,318
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.	20,282
2011 General Obligation Bonds issued to the MCWT. The bonds are payable in varying annual installments with interest at 2.40% with a final payment due May 1, 2040.	6,761
2012 General Obligation Bonds issued to the MCWT. The bonds are payable in varying annual installments with interest at 2.00% with a final payment due July 15, 2032. During the year the original bond principal was reduced \$996 by the Trust.	19,087
2012 General Obligation Bonds payable in varying principal amounts at an average coupon rate of 3.666% with a final payment due April 15, 2032.	3,685
Unamortized bond premiums and deferred refunding losses	1,318
OPEB net obligation	2,236
Accrued sick leave	423
Total long-term obligations	168,657
Less portion due within one year	(7,407)
Amount due in more than one year	\$ 161,250

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

Year ending June 30:	Gross payments			Anticipated subsidy	Net payments
	Principal	Interest	Total		
2015	\$ 7,284	5,117	12,401	1,124	11,277
2016	7,520	4,844	12,364	1,082	11,282
2017	7,752	4,559	12,311	1,037	11,274
2018	7,045	4,278	11,323	695	10,628
2019	7,267	4,037	11,304	674	10,630
2020-2024	34,839	16,616	51,455	2,939	48,516
2025-2029	34,937	10,785	45,722	2,422	43,300
2030-2034	35,759	4,992	40,751	1,823	38,928
2035-2039	19,620	1,239	20,859	322	20,537
2040	2,657	64	2,721	-	2,721
	<u>\$ 164,680</u>	<u>56,531</u>	<u>221,211</u>	<u>12,118</u>	<u>209,093</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 3.2% to 4.9%) and maturity dates (ranging from June 30, 2015 through June 30, 2016).

Details related to notes payable to the City at June 30, 2014, are as follows:

Project	Outstanding at June 30, 2013	Additions	Reductions	Outstanding at June 30, 2014
Union Station - Building Fit Out	\$ 3,129	26	-	3,155
Union Station - Operating	3,899	337	-	4,236
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Total	<u>\$ 7,591</u>	<u>363</u>	<u>-</u>	<u>7,954</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(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>
2015	\$ 7,617	1,770	9,387
2016	337	30	367
Total	<u>\$ 7,954</u>	<u>1,800</u>	<u>9,754</u>

In addition to notes payable of \$7,954, the WRA also has accrued interest payable due in fiscal year 2016 of \$72 for total noncurrent liabilities of \$8,026.

**(13) 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, 2014 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$526.

At June 30, 2014, BANS totaling \$71,764 with interest rates of 0.50% to 2.00% and maturing December 17, 2014 were outstanding and a BAN totaling \$561 with interest rate of 0.00% and maturing January 15, 2015 was outstanding.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

The following is a summary of changes in temporary loans:

	<b>Outstanding as of June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2014</b>
Bond anticipation notes payable:				
General	\$ 55,018	53,344	55,018	53,344
Water	4,755	6,330	4,755	6,330
Sewer	10,140	12,531	10,140	12,531
Golf course (nonmajor)	100	120	100	120
Total	<u>\$ 70,013</u>	<u>72,325</u>	<u>70,013</u>	<u>72,325</u>

**(b) Discreetly 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, 2014 was as follows:

	<b>Outstanding as of June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding as of June 30, 2014</b>
Bond Anticipation Note	\$ -	2,000	-	2,000

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

**(14) Interfund Transfers**

Transfers and their purposes during the year ended June 30, 2014 were as follows:

	Governmental Funds					Proprietary Funds		
	General Fund	Debt Service Fund	DCU Center Construction Fund	Rehabilitation of Public Buildings	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget								
General fund - to fund debt payments	\$ (13,755)	13,755	-	-	-	-	-	-
General fund - transfer to fund DCU obligations	(1,052)	-	-	-	1,052	-	-	-
Chapter 90 - to fund DPW engineering and street ops.	429	-	-	-	(429)	-	-	-
General fund - tax levy subsidy of golf fund	(150)	-	-	-	-	-	-	150
Construction permits - to fund DPW engineering	148	-	-	-	(148)	-	-	-
Sewer connection fees - to fund DPW engineering	126	-	-	-	(126)	-	-	-
Parking - to fund DPW engineering	353	-	-	-	(353)	-	-	-
Parking - to fund parking operations	121	-	-	-	(121)	-	-	-
Cemetery reserve - to fund cemetery debt	37	-	-	-	(37)	-	-	-
Golf fund - to fund pension obligation bonds	18	-	-	-	-	-	-	(18)
Sewer fund - to fund pension obligation bonds	566	-	-	-	-	-	(566)	-
Water fund - to fund pension obligation bonds	767	-	-	-	-	(767)	-	-
Sub-total	(12,392)	13,755	-	-	(162)	(767)	(566)	132
Subsequent transfers:								
General fund - repay HUD lead free grants	(42)	-	-	-	42	-	-	-
General fund - transfer to fund other grants	(3)	-	-	-	3	-	-	-
Debt service fund - to promote tourism	500	(500)	-	-	-	-	-	-
General fund - to fund golf operations	(83)	-	-	-	-	-	-	83
Insurance settlement fund - fire and police vehicles	64	-	-	-	(64)	-	-	-
Premium on loans - to fund bond issuance costs	386	-	-	-	(386)	-	-	-
General fund - transfer to fund construction permits	(65)	-	-	-	65	-	-	-
General fund - to fund debt payments	(1)	1	-	-	-	-	-	-
PEGaccess grant - to fund school grant fund	-	-	-	-	263	-	-	-
PEGaccess grant - to fund school grant fund	-	-	-	-	(263)	-	-	-
Sewer connection fees-fund sewer pumping station improve.	-	-	-	-	(673)	-	673	-
Greenwood St landfill reserve-to fund park improve.	-	-	-	-	550	-	-	-
Greenwood St landfill reserve-to fund park improve.	-	-	-	-	(550)	-	-	-
Greenwood St landfill res.-to fund cafeteria tables at school	-	-	-	-	27	-	-	-
Greenwood St landfill res.-to fund cafeteria tables at school	-	-	-	-	(27)	-	-	-
Real estate sales res.-to fund build out of City Hall Café	-	-	-	4	(4)	-	-	-
CSX Neighborhood Improve.-to fund spotshotter lease	-	-	-	-	434	-	-	-
CSX Neighborhood Improve.-to fund spotshotter lease	-	-	-	-	(434)	-	-	-
ESCO rebates reserve - to fund capital projects	-	-	-	327	(327)	-	-	-
Capital project-repay water for prior year funding	-	-	-	-	(27)	27	-	-
To transfer between capital project funds	-	-	-	(115)	115	-	-	-
To transfer between capital project funds	-	-	200	-	(200)	-	-	-
To transfer between capital project funds	-	-	-	-	545	-	-	-
To transfer between capital project funds	-	-	-	-	(545)	-	-	-
Parking receipts - to fund off-street parking	-	-	-	-	4,073	-	-	-
Parking receipts - to fund off-street parking	-	-	-	-	(4,073)	-	-	-
Home program income reserves - to fund home grant	-	-	-	-	61	-	-	-
Home program income reserves - to fund home grant	-	-	-	-	(61)	-	-	-
Greenwood St landfill reserve-fund landfill capping costs	-	-	-	-	408	-	-	-
Greenwood St landfill reserve-fund landfill capping costs	-	-	-	-	(408)	-	-	-
Greenwood St landfill reserve-fund improvement of park	-	-	-	-	30	-	-	-
Greenwood St landfill reserve-fund improvement of park	-	-	-	-	(30)	-	-	-
Damage settlements - to fund school revolving	-	-	-	-	1	-	-	-
Damage settlements - to fund school revolving	-	-	-	-	(1)	-	-	-
Total transfers, net	\$ (11,636)	13,256	200	216	(1,618)	(740)	107	215

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

#### **(15) Environmental Remediation – The District**

Construction as part of a Plant Improvement Program was conducted at the District from 2004 through 2012. Most of the Facility's mechanical systems and processes have either been updated or replaced with modern systems during this period. The District financed these projects through long-term borrowing, primarily through the Massachusetts Clean Water Trust and federal grants. The District is currently focused on maintaining these assets in good condition and planning for future plant improvements which will be required to meet current National Pollutant Discharge Elimination System (NPDES) permit standards. The ongoing effluent quality improvements study will identify short and long term investments for the District to attain NPDES compliance. Capital investments in additional instrumentation and chemical feed systems occurred in fiscal 2014 as part of this effort.

The District and the U.S. Environmental Protection Agency (USEPA) came to agreement on the terms of an administrative order on consent (AOC) on May 1, 2014. The AOC is primarily focused on improvements to reduce effluent nitrogen and phosphorous levels. The AOC terms required compliance with NPDES limits for all "dry" weather flows by October 31, 2019. The AOC also includes a requirement for the District to complete an integrated planning report to evaluate recommendations for achieving permit limits during "wet" weather flows. Full compliance with the terms of this permit has been previously estimated at \$200,000 for additional improvements. Engineering studies are underway to determine the scope of the project.

#### **(16) 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, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Fallon, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon Senior plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$225 for each participating member of the self-insured health plans. 25% employee contributions are made. The remainder of such costs is funded by the City. The City provides \$5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 7.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

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

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

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

Changes in the self-insurance liability for health claims (which are reported as accrued liabilities in the internal service fund) for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Health claims, beginning of year	\$ 6,974	6,424
Incurred claims	77,881	77,255
Payments of claims attributable to events of the current and prior fiscal years	<u>(77,726)</u>	<u>(76,705)</u>
Health claims, end of year	<u>\$ 7,129</u>	<u>6,974</u>

Changes in judgments and claims liability for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Judgments and claims, beginning of year	\$ 14,354	12,522
Additions to estimated claims liability	3,000	5,495
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(2,682)	(334)
Workers' compensation	<u>(325)</u>	<u>(3,329)</u>
Judgments and claims, end of year	<u>\$ 14,347</u>	<u>14,354</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Judgments and claims consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Workers' compensation	\$ 10,725	10,998
Court judgments and legal settlements	<u>3,622</u>	<u>3,356</u>
	<u>\$ 14,347</u>	<u>14,354</u>

The fiscal 2014 liability for judgments and claims consist of governmental and business-type activities in the amount of \$11,587 and \$2,760, respectively.

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

**(17) Fund Balances**

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

	<u>General</u>	<u>CitySquare</u>	<u>Debt Service</u>	<u>DCU Center Construction</u>	<u>Rehabilitation of Public Buildings</u>	<u>Other governmental funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>							
Permanent fund principal.....	\$ -	-	-	-	-	11,961	11,961
<b>Restricted:</b>							
OPEB.....	7,020	-	-	-	-	-	7,020
DCU Center operations.....	-	-	-	-	-	210	210
School lunch.....	-	-	-	-	-	2,408	2,408
Police auxiliary.....	-	-	-	-	-	65	65
Off-street parking.....	-	-	-	-	-	606	606
City revolving funds.....	-	-	-	-	-	1,948	1,948
School grants.....	-	-	-	-	-	6,552	6,552
School revolving funds.....	-	-	-	-	-	1,873	1,873
Community development.....	-	-	-	-	-	50	50
Workforce Central.....	-	-	-	-	-	1,012	1,012
City grants.....	-	-	-	-	-	13,279	13,279
Capital.....	-	-	-	-	-	4,604	4,604
Permanent fund expendable.....	-	-	-	-	-	6,256	6,256
Sub-total - Restricted.....	<u>7,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,863</u>	<u>45,883</u>
<b>Committed:</b>							
Debt service.....	-	-	18,124	-	-	-	18,124
Receipts reserved.....	-	-	-	-	-	21,610	21,610
Sub-total - Committed.....	<u>-</u>	<u>-</u>	<u>18,124</u>	<u>-</u>	<u>-</u>	<u>21,610</u>	<u>39,734</u>
<b>Unassigned.....</b>	<u>27,870</u>	<u>(5,037)</u>	<u>-</u>	<u>(19,026)</u>	<u>(8,485)</u>	<u>(8,931)</u>	<u>(13,609)</u>
Total fund balances.....	\$ <u>34,890</u>	<u>(5,037)</u>	<u>18,124</u>	<u>(19,026)</u>	<u>(8,485)</u>	<u>63,503</u>	<u>83,969</u>

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

**(18) Fund Deficits**

The following funds had deficits at June 30, 2014:

		<u>Capital Projects Funds:</u>	
CitySquare fund	\$ 5,037	Street and Sidewalk	\$ 6,397
DCU Center construction fund	19,026	Capital Equipment	2,339
Rehabilitation of Public Buildings fund	8,485	Parks improvements	195

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

**(19) Prior Period Reclassifications**

The beginning fund balances of the school grants, DCU Center construction fund and nonmajor governmental funds have been reclassified to reflect the reclassification of the DCU Center construction fund from a nonmajor governmental fund to a major fund and the school grants fund from a major fund to a nonmajor governmental fund, as follows:

<u>Description</u>	<u>School Grants</u>	<u>DCU Center Construction</u>	<u>Nonmajor Governmental Funds</u>
Fund balances - beginning - prior to reclassification	\$ 6,869	-	42,206
Reclassify major fund to nonmajor fund	(6,869)	-	6,869
Reclassify nonmajor fund to major fund	-	(6,143)	6,143
Fund balances - beginning - after reclassification	\$ -	(6,143)	55,218

**(20) Future Implementation of GASB Pronouncements**

The GASB has issued the following statements:

Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

(In thousands of dollars)

Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the City, in the transition year of Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates.

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

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	\$ 245,844,057	247,606,018	247,088,092	(517,926)
Motor vehicle excise taxes	12,500,000	12,500,000	13,300,714	800,714
Penalties and interest on taxes:				
Property taxes	1,182,000	1,182,000	1,147,866	(34,134)
Tax titles	431,000	431,000	99,163	(331,837)
Motor vehicle excise	1,067,000	1,067,000	1,094,346	27,346
Special assessments	20,000	20,000	98,584	78,584
	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,439,959</u>	<u>(260,041)</u>
Other taxes and in-lieu payments:				
In lieu of taxes	1,050,000	1,050,000	965,784	(84,216)
Special assessments	350,000	350,000	724,534	374,534
Meals tax	2,270,000	2,270,000	2,367,579	97,579
Hotel/motel tax	730,000	730,000	746,178	16,178
	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,804,075</u>	<u>404,075</u>
Licenses and permits:				
Clerk	131,200	131,200	203,772	72,572
Inspectional Services	2,681,750	2,681,750	2,895,515	213,765
Fire	221,275	221,275	228,311	7,036
Health	643,630	643,630	669,505	25,875
License Commission:				
Liquor & common victualer	775,400	775,400	812,613	37,213
Other	45,950	45,950	65,342	19,392
Police	80,095	80,095	97,174	17,079
Public Works	251,700	251,700	301,508	49,808
	<u>4,831,000</u>	<u>4,831,000</u>	<u>5,273,740</u>	<u>442,740</u>
Intergovernmental:				
State local aid	262,328,873	261,382,053	261,676,605	294,552
State school construction aid	15,203,374	15,203,377	15,203,377	-
State school busing assistance	255,000	255,000	240,937	(14,063)
School related Federal Medicare	3,200,000	3,200,000	2,639,524	(560,476)
Federal indirect cost reimbursements	1,680,000	1,680,000	1,435,716	(244,284)
	<u>282,667,247</u>	<u>281,720,430</u>	<u>281,196,159</u>	<u>(524,271)</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

General Fund

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Fines and forfeitures:				
Parking fines	\$ 1,819,000	1,819,000	1,785,680	(33,320)
Court fines	791,000	791,000	1,365,368	574,368
	<u>2,610,000</u>	<u>2,610,000</u>	<u>3,151,048</u>	<u>541,048</u>
Investment earnings	<u>300,000</u>	<u>300,000</u>	<u>388,474</u>	<u>88,474</u>
Charges for services:				
Airport land lease	100,000	100,000	100,000	-
Assessor	5,000	5,000	5,249	249
Clerk	585,000	585,000	550,269	(34,731)
Cable TV	20,000	20,000	22,094	2,094
Communications	1,000	1,000	690	(310)
Elder Affairs	40,000	40,000	55,626	15,626
Fire	258,500	258,500	265,382	6,882
Health	23,500	23,500	38,218	14,718
Hope Cemetery	249,500	249,500	287,856	38,356
Library	35,000	35,000	47,068	12,068
Energy & Asset Management	5,500	5,500	318	(5,182)
Parks	73,000	73,000	78,539	5,539
Planning	110,500	110,500	103,308	(7,192)
Police	704,500	704,500	748,936	44,436
Public Works	7,500	7,500	24,023	16,523
Purchasing	275,000	275,000	180,243	(94,757)
Schools	15,000	15,000	9,800	(5,200)
Trailer coach park	4,000	4,000	4,719	719
Trash bags	3,200,000	3,200,000	3,149,677	(50,323)
Treasurer	15,000	15,000	10,944	(4,056)
	<u>5,727,500</u>	<u>5,727,500</u>	<u>5,682,959</u>	<u>(44,541)</u>
Miscellaneous	<u>654,500</u>	<u>962,232</u>	<u>1,246,159</u>	<u>283,927</u>
<b>Total revenues</b>	<u>562,234,304</u>	<u>563,357,180</u>	<u>564,571,379</u>	<u>1,214,199</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

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	\$ 326,900	326,900	323,999	2,901
Ordinary maintenance	26,867	26,867	26,199	668
	<u>353,767</u>	<u>353,767</u>	<u>350,198</u>	<u>3,569</u>
Mayor:				
Salaries	108,682	108,682	104,217	4,465
Ordinary maintenance	7,777	44,777	31,257	13,520
	<u>116,459</u>	<u>153,459</u>	<u>135,474</u>	<u>17,985</u>
Manager:				
Salaries:				
Executive office	909,850	942,955	942,955	-
Economic Development	1,297,839	1,221,089	1,213,960	7,129
Ordinary maintenance:				
Executive office	1,699,280	1,885,202	1,875,775	9,427
Economic Development	70,090	109,483	108,464	1,019
Tourism promotion	-	500,000	500,000	-
Capital	-	4,078	4,078	-
	<u>3,977,059</u>	<u>4,662,807</u>	<u>4,645,232</u>	<u>17,575</u>
Auditor:				
Salaries	618,737	618,737	570,122	48,615
Ordinary maintenance	159,525	159,525	138,582	20,943
	<u>778,262</u>	<u>778,262</u>	<u>708,704</u>	<u>69,558</u>
Administration & Finance:				
Salaries	331,214	367,818	367,818	-
Ordinary maintenance	90,664	90,664	38,731	51,933
	<u>421,878</u>	<u>458,482</u>	<u>406,549</u>	<u>51,933</u>
Treasurer and Collector:				
Salaries	1,164,894	1,168,306	1,155,268	13,038
Ordinary maintenance	691,676	1,077,349	1,053,999	23,350
	<u>1,856,570</u>	<u>2,245,655</u>	<u>2,209,267</u>	<u>36,388</u>
Assessor:				
Salaries	541,466	552,066	551,306	760
Ordinary maintenance	294,500	294,500	211,781	82,719
	<u>835,966</u>	<u>846,566</u>	<u>763,087</u>	<u>83,479</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**  
Required Supplementary Information  
For the Fiscal Year Ended June 30, 2014  
General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
License Commission:				
Ordinary maintenance	\$ 1,200	1,200	1,003	197
	<u>1,200</u>	<u>1,200</u>	<u>1,003</u>	<u>197</u>
Law:				
Salaries	799,854	719,854	708,518	11,336
Ordinary maintenance	137,842	137,842	137,208	634
Casualty insurance	119,948	119,948	106,313	13,635
Court judgments	378,100	338,100	333,221	4,879
	<u>1,435,744</u>	<u>1,315,744</u>	<u>1,285,260</u>	<u>30,484</u>
City Clerk:				
Salaries	553,291	553,291	539,484	13,807
Ordinary maintenance	36,024	36,024	35,570	454
	<u>589,315</u>	<u>589,315</u>	<u>575,054</u>	<u>14,261</u>
Energy & Asset Management:				
Salaries	188,089	231,690	215,187	16,503
Ordinary maintenance	888,911	851,342	824,409	26,933
	<u>1,077,000</u>	<u>1,083,032</u>	<u>1,039,596</u>	<u>43,436</u>
Election Commission:				
Salaries	493,168	393,168	382,824	10,344
Ordinary maintenance	110,885	110,885	105,209	5,676
	<u>604,053</u>	<u>504,053</u>	<u>488,033</u>	<u>16,020</u>
Purchasing:				
Salaries	194,978	198,708	198,708	-
Ordinary maintenance	14,595	14,595	10,044	4,551
	<u>209,573</u>	<u>213,303</u>	<u>208,752</u>	<u>4,551</u>
Technical services:				
Salaries	1,747,703	1,747,703	1,710,291	37,412
Ordinary maintenance	1,238,467	1,283,726	1,281,605	2,121
	<u>2,986,170</u>	<u>3,031,429</u>	<u>2,991,896</u>	<u>39,533</u>
Human Resources:				
Salaries	843,889	761,889	759,709	2,180
Ordinary maintenance	247,458	241,458	241,284	174
	<u>1,091,347</u>	<u>1,003,347</u>	<u>1,000,993</u>	<u>2,354</u>
Total general government	<u>16,334,363</u>	<u>17,240,421</u>	<u>16,809,098</u>	<u>431,323</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Salaries	\$ 40,894,539	41,704,734	41,703,336	1,398
Ordinary maintenance	2,190,045	2,408,045	2,395,772	12,273
Capital	74,750	74,750	68,493	6,257
	<u>43,159,334</u>	<u>44,187,529</u>	<u>44,167,601</u>	<u>19,928</u>
Fire:				
Salaries	32,345,912	32,194,882	31,749,812	445,070
Ordinary maintenance	1,053,828	1,204,280	1,202,205	2,075
Capital	66,200	33,633	32,984	649
	<u>33,465,940</u>	<u>33,432,795</u>	<u>32,985,001</u>	<u>447,794</u>
Inspectional services:				
Salaries	3,022,528	3,040,925	3,032,244	8,681
Ordinary maintenance	230,452	285,452	279,418	6,034
	<u>3,252,980</u>	<u>3,326,377</u>	<u>3,311,662</u>	<u>14,715</u>
Communications:				
Salaries	1,891,053	1,891,053	1,771,584	119,469
Ordinary maintenance	354,114	350,375	310,156	40,219
Capital	-	1,290	-	1,290
	<u>2,245,167</u>	<u>2,242,718</u>	<u>2,081,740</u>	<u>160,978</u>
 Total public safety	 <u>82,123,421</u>	 <u>83,189,419</u>	 <u>82,546,004</u>	 <u>643,415</u>
 Health and human services:				
Health:				
Salaries	322,394	322,394	303,513	18,881
Ordinary maintenance	40,000	40,000	27,196	12,804
	<u>362,394</u>	<u>362,394</u>	<u>330,709</u>	<u>31,685</u>
Elder Affairs:				
Salaries	269,278	269,278	264,643	4,635
Ordinary maintenance	133,841	138,841	134,659	4,182
	<u>403,119</u>	<u>408,119</u>	<u>399,302</u>	<u>8,817</u>
 Total health and human services	 <u>765,513</u>	 <u>770,513</u>	 <u>730,011</u>	 <u>40,502</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Education:				
Public Schools (Net School Spending):				
Salaries	\$ 192,215,277	192,248,897	192,248,897	-
Ordinary maintenance	33,695,847	35,608,505	35,608,505	-
Capital	300,000	169,149	169,149	-
	<u>226,211,124</u>	<u>228,026,551</u>	<u>228,026,551</u>	<u>-</u>
Schools (Non Net School Spending)				
Salaries	3,107,679	3,684,135	3,684,135	-
Ordinary maintenance	13,753,234	13,498,690	13,498,690	-
	<u>16,860,913</u>	<u>17,182,825</u>	<u>17,182,825</u>	<u>-</u>
Total education	<u>243,072,037</u>	<u>245,209,376</u>	<u>245,209,376</u>	<u>-</u>
Public works:				
Department of Public Works:				
Salaries	5,462,471	5,287,471	5,163,532	123,939
Ordinary maintenance	6,890,009	6,824,295	6,821,371	2,924
Snow and ice removal	3,846,639	4,566,196	4,566,196	-
Street lighting	2,852,828	2,852,828	2,850,899	1,929
	<u>19,051,947</u>	<u>19,530,790</u>	<u>19,401,998</u>	<u>128,792</u>
Union Station:				
Ordinary maintenance	<u>385,667</u>	<u>343,496</u>	<u>337,459</u>	<u>6,037</u>
Total public works	<u>19,437,614</u>	<u>19,874,286</u>	<u>19,739,457</u>	<u>134,829</u>
Culture and recreation:				
Parks and Cemetery:				
Salaries	3,118,762	2,985,564	2,926,601	58,963
Ordinary maintenance	1,074,691	1,124,691	1,119,956	4,735
Capital	-	10,000	-	10,000
	<u>4,193,453</u>	<u>4,120,255</u>	<u>4,046,557</u>	<u>73,698</u>
Public Library:				
Salaries	3,441,388	3,441,388	3,331,242	110,146
Ordinary maintenance	1,456,244	1,471,244	1,461,649	9,595
	<u>4,897,632</u>	<u>4,912,632</u>	<u>4,792,891</u>	<u>119,741</u>
Auditorium:				
Ordinary maintenance	<u>121,506</u>	<u>121,506</u>	<u>111,989</u>	<u>9,517</u>
Total culture and recreation	<u>9,212,591</u>	<u>9,154,393</u>	<u>8,951,437</u>	<u>202,956</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

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	\$ 6,721	6,721	6,721	-
Regional planning	45,000	44,708	44,708	-
Regional Transit Authority	2,741,744	2,741,744	2,741,744	-
Air pollution control	41,772	41,772	41,772	-
Charter Schools	26,774,316	24,548,854	24,433,604	115,250
School choice	2,264,914	2,323,356	2,758,651	(435,295)
Special education - Chapter 766	131,197	134,920	157,550	(22,630)
Registry parking ticket surcharge	452,600	452,600	441,660	10,940
<b>Total intergovernmental</b>	<b>32,458,264</b>	<b>30,294,675</b>	<b>30,626,410</b>	<b>(331,735)</b>
<b>Debt service:</b>				
Principal	24,401,593	24,504,366	24,504,366	-
Interest	7,768,695	7,854,198	7,854,198	-
<b>Pension obligation bond:</b>				
<b>Municipal departments:</b>				
Principal	2,773,454	2,773,454	2,773,454	-
Interest	7,785,667	7,785,667	7,785,667	-
Enterprise funds (interest)	1,351,723	1,351,723	1,351,723	-
Public schools	4,727,277	4,727,281	4,727,281	-
<b>Total debt service</b>	<b>48,808,409</b>	<b>48,996,689</b>	<b>48,996,689</b>	<b>-</b>
<b>Fringe benefits:</b>				
<b>Retirement:</b>				
<b>Contributory pensions:</b>				
Municipal departments	21,792,319	21,878,336	21,866,347	11,989
Public Schools	9,052,075	7,759,629	7,759,629	-
<b>Noncontributory pensions:</b>				
Municipal departments	133,129	133,129	116,177	16,952
Public Schools	140,000	109,389	109,389	-
	<b>31,117,523</b>	<b>29,880,483</b>	<b>29,851,542</b>	<b>28,941</b>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

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	\$ 1,210,657	1,202,697	1,200,941	1,756
Public Schools	323,700	620,020	620,020	-
Public safety injured on duty	406,681	502,991	502,991	-
Unemployment compensation:				
Municipal departments	100,000	125,349	125,349	-
Public Schools	250,000	306,665	306,665	-
	<u>2,291,038</u>	<u>2,757,722</u>	<u>2,755,966</u>	<u>1,756</u>
Group insurance:				
Municipal departments	23,021,923	23,075,957	22,644,175	431,782
Public Schools	40,050,444	40,313,493	40,313,493	-
	<u>63,072,367</u>	<u>63,389,450</u>	<u>62,957,668</u>	<u>431,782</u>
Total fringe benefits	<u>96,480,928</u>	<u>96,027,655</u>	<u>95,565,176</u>	<u>462,479</u>
Contingency	<u>1,000,000</u>	<u>592,997</u>	<u>-</u>	<u>592,997</u>
<b>Total expenditures</b>	<u>549,693,140</u>	<u>551,350,424</u>	<u>549,173,658</u>	<u>2,176,766</u>
<b>Excess of revenues over expenditures</b>	<u>12,541,164</u>	<u>12,006,756</u>	<u>15,397,721</u>	<u>3,390,965</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,566,515	3,595,241	3,595,241	-
Transfers out	(14,957,679)	(19,503,097)	(19,503,097)	-
Premium on loans	800,000	800,000	877,164	77,164
<b>Total other financing sources (uses)</b>	<u>(11,591,164)</u>	<u>(15,107,856)</u>	<u>(15,030,692)</u>	<u>77,164</u>
<b>Net changes in fund balance</b>	<u>950,000</u>	<u>(3,101,100)</u>	<u>367,029</u>	<u>3,468,129</u>
Budgetary fund balance - beginning	<u>28,206,573</u>	<u>28,206,573</u>	<u>28,206,573</u>	<u>-</u>
Budgetary fund balance - ending	<u>\$ 29,156,573</u>	<u>25,105,473</u>	<u>28,573,602</u>	<u>3,468,129</u>

(Concluded)

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2014

(In thousands of dollars)

**Pension Plan Schedules**

The following schedules provide information related to the WRS as a whole, for which the City is one participating employer:

**SCHEDULES OF FUNDING PROGRESS (WRS)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Projected Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
1/1/2009	\$ 631,894	929,569	297,675	67.98%	\$ 166,050	179.27%
1/1/2010	679,510	987,692	308,182	68.80	166,392	185.21
1/1/2011	724,998	1,025,076	300,078	70.73	157,721	190.26
1/1/2012	712,110	1,051,191	339,081	67.74	159,670	212.36
1/1/2013	706,951	1,117,439	410,488	63.27	166,095	247.14
1/1/2014	770,334	1,170,626	400,292	65.81	168,856	237.06

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)**

<b>Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Percentage of Annual Required Contributed (%)</b>
2008	\$ 24,947	100
2009	28,505	100
2010	29,770	101
2011	32,706	100
2012	35,323	100
2013	38,149	100

**SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS**

The pension plan (WRS) issues a publicly available financial report that includes the required supplementary information for WRS. That report may be obtained at City Hall.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2014

(In thousands of dollars)

The following schedule provides information related to the City's portion of the WRS ARC:

**CITY SHARE OF WRS ARC**

<b>Year Ended June 30</b>	<b>ARC</b>	<b>Percentage of ARC Contributed (%)</b>	<b>City ARC as a Percentage of WRS ARC (%)</b>
2009	\$ 22,742	100	91.2
2010	26,117	100	91.6
2011	27,277	101	91.6
2012	29,720	100	90.9
2013	32,246	100	91.3
2014	35,084	101	92.0

**OPEB Schedule**

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

**SCHEDULES OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Liability (AAL) Projected Unit Credit (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
07/01/09	\$ -	765,312	765,312	0.0%	302,802	253%
07/01/11	-	636,335	636,335	0.0%	313,753	203%
07/01/13	-	727,823	727,823	0.0%	334,070	218%

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to Required Supplementary Information

June 30, 2014

(In thousands of dollars)

**Budgetary Basis of Accounting**

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

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

In fiscal 2014, the original general fund expenditure budget, excluding intergovernmental charges, was increased by \$3,821. In fiscal 2014, expenditures exceeded appropriations for intergovernmental expenditures. The over-expenditure was funded by revenue surpluses generated during fiscal year 2014.

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, 2014:

	<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	\$ 564,571	549,173	(15,031)	367
Reclassify net transfers to OPEB reserve	-	-	4,272	4,272
MTRS on-behalf payments	59,798	59,798		-
COLA on-behalf payments	1,956	1,956		-
Capital leases	-	5,609	5,609	-
Adjustment of revenues to a modified basis	<u>(270)</u>	<u>-</u>	<u>-</u>	<u>(270)</u>
 As reported on a GAAP basis	 <u>\$ 626,055</u>	 <u>616,536</u>	 <u>(5,150)</u>	 <u>4,369</u>

The major differences between the budgetary basis and the GAAP basis are stabilization and 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 MTRS and COLA on-behalf payments are recorded on a GAAP basis only.

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## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2014

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

#### **Special Revenue**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Capital Projects**

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

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

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Supplementary Statements and Schedules

June 30, 2014

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

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

**Permanent Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	<b>Special Revenue Funds</b>				
	<b>DCU Center</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	413,442	2,544,540	244,133	618,541	1,956,072
Restricted investments	-	-	-	-	-
Receivables, net	-	-	882,723	-	69,870
Intergovernmental receivables	-	-	-	-	27,097
<b>Total assets</b>	<b>\$ 413,442</b>	<b>2,544,540</b>	<b>1,126,856</b>	<b>618,541</b>	<b>2,053,039</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	137,369	178,702	12,340	35,176
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	203,470	-	-	-	-
<b>Total liabilities</b>	<b>203,470</b>	<b>137,369</b>	<b>178,702</b>	<b>12,340</b>	<b>35,176</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-other	-	-	882,723	-	69,870
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>882,723</b>	<b>-</b>	<b>69,870</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	209,972	2,407,171	65,431	606,201	1,947,993
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>209,972</b>	<b>2,407,171</b>	<b>65,431</b>	<b>606,201</b>	<b>1,947,993</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 413,442</b>	<b>2,544,540</b>	<b>1,126,856</b>	<b>618,541</b>	<b>2,053,039</b>

## Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
-	-	21,609,967	-	-	-	21,609,967
6,932,078	1,901,584	-	97,493	1,052,203	12,571,078	28,331,164
-	-	-	-	-	-	-
-	-	7,477	-	-	-	960,070
29,122	-	-	630	6,540	1,099,275	1,162,664
<u>6,961,200</u>	<u>1,901,584</u>	<u>21,617,444</u>	<u>98,123</u>	<u>1,058,743</u>	<u>13,670,353</u>	<u>52,063,865</u>
409,004	28,298	-	48,368	46,434	391,897	1,287,588
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	203,470
<u>409,004</u>	<u>28,298</u>	<u>-</u>	<u>48,368</u>	<u>46,434</u>	<u>391,897</u>	<u>1,491,058</u>
-	-	7,477	-	-	-	960,070
-	-	7,477	-	-	-	960,070
-	-	-	-	-	-	-
6,552,196	1,873,286	-	49,755	1,012,309	13,278,456	28,002,770
-	-	21,609,967	-	-	-	21,609,967
-	-	-	-	-	-	-
<u>6,552,196</u>	<u>1,873,286</u>	<u>21,609,967</u>	<u>49,755</u>	<u>1,012,309</u>	<u>13,278,456</u>	<u>49,612,737</u>
<u>6,961,200</u>	<u>1,901,584</u>	<u>21,617,444</u>	<u>98,123</u>	<u>1,058,743</u>	<u>13,670,353</u>	<u>52,063,865</u>

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	<b>Capital Projects Funds</b>			
	<b>Street and Sidewalk</b>	<b>Capital Equipment</b>	<b>School Construction</b>	<b>Parks Improvements</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	9,021,132	484,981	162,674	4,360,099
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Intergovernmental receivables	318,938	-	-	328,500
<b>Total assets</b>	<b>\$ 9,340,070</b>	<b>484,981</b>	<b>162,674</b>	<b>4,688,599</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,113,309	58,706	85,628	458,683
Retainage payable	513,936	-	37,310	372,278
Temporary loans	14,110,000	2,765,000	-	4,052,500
Other liabilities	-	-	-	-
<b>Total liabilities</b>	<b>15,737,245</b>	<b>2,823,706</b>	<b>122,938</b>	<b>4,883,461</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	-	-	39,736	-
Committed	-	-	-	-
Unassigned	(6,397,175)	(2,338,725)	-	(194,862)
<b>Total fund balances</b>	<b>(6,397,175)</b>	<b>(2,338,725)</b>	<b>39,736</b>	<b>(194,862)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,340,070</b>	<b>484,981</b>	<b>162,674</b>	<b>4,688,599</b>

<b>Capital Projects Funds</b>		
<b>Union Station Garage</b>	<b>Other</b>	<b>Subtotal</b>
-	-	-
1,279,894	3,390,577	18,699,357
-	-	-
-	-	647,438
<u>1,279,894</u>	<u>3,390,577</u>	<u>19,346,795</u>
-	89,708	1,806,034
-	16,869	940,393
-	-	20,927,500
-	-	-
<u>-</u>	<u>106,577</u>	<u>23,673,927</u>
-	-	-
-	-	-
-	-	-
1,279,894	3,284,000	4,603,630
-	-	-
-	-	(8,930,762)
<u>1,279,894</u>	<u>3,284,000</u>	<u>(4,327,132)</u>
<u>1,279,894</u>	<u>3,390,577</u>	<u>19,346,795</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

<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	120,993	146,095	212,743	57,250	22,042
Restricted investments	3,836,171	2,680,008	8,852,841	753,422	490,983
Receivables, net	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,957,164</b>	<b>2,826,103</b>	<b>9,065,584</b>	<b>810,672</b>	<b>513,025</b>
<b>Liabilities:</b>					
Accounts payable	-	-	60,877	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>60,877</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	2,828,183	1,901,355	5,863,040	437,126	302,482
Restricted	1,128,981	924,748	3,141,667	373,546	210,543
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>3,957,164</b>	<b>2,826,103</b>	<b>9,004,707</b>	<b>810,672</b>	<b>513,025</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,957,164</b>	<b>2,826,103</b>	<b>9,065,584</b>	<b>810,672</b>	<b>513,025</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>	
-	-	-	-	-	21,609,967
380	15,841	37,294	2,186	614,824	47,645,345
10,320	402,200	632,091	5,038	17,663,074	17,663,074
-	-	-	-	-	960,070
-	-	-	-	-	1,810,102
<u>10,700</u>	<u>418,041</u>	<u>669,385</u>	<u>7,224</u>	<u>18,277,898</u>	<u>89,688,558</u>
-	-	-	-	60,877	3,154,499
-	-	-	-	-	940,393
-	-	-	-	-	20,927,500
-	-	-	-	-	203,470
-	-	-	-	<u>60,877</u>	<u>25,225,862</u>
-	-	-	-	-	960,070
-	-	-	-	-	<u>960,070</u>
2,198	267,830	356,384	2,529	11,961,127	11,961,127
8,502	150,211	313,001	4,695	6,255,894	38,862,294
-	-	-	-	-	21,609,967
-	-	-	-	-	(8,930,762)
<u>10,700</u>	<u>418,041</u>	<u>669,385</u>	<u>7,224</u>	<u>18,217,021</u>	<u>63,502,626</u>
<u>10,700</u>	<u>418,041</u>	<u>669,385</u>	<u>7,224</u>	<u>18,277,898</u>	<u>89,688,558</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, 2014

	<b>Special Revenue Funds</b>				
	<b>DCU Center</b>	<b>School Lunch</b>	<b>Police Auxiliary</b>	<b>Off-Street Parking</b>	<b>City Revolving</b>
<b>Revenues:</b>					
Intergovernmental	\$ -	13,268,812	2,054	-	27,097
Investment earnings	-	-	-	-	-
Charges for services	1,177,886	445,248	8,329,995	-	857,657
Donations	-	-	-	-	-
Contributions to permanent fund	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>1,177,886</b>	<b>13,714,060</b>	<b>8,332,049</b>	<b>-</b>	<b>884,754</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	39,740
Public safety	-	-	8,266,618	-	562,088
Health and human services	-	-	-	-	329,680
Education	-	12,681,389	-	-	-
Public works	-	-	-	1,897,490	55,313
Culture and recreation	1,062,316	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	426,874	-	-	1,179,714	-
Interest	131,036	-	-	587,880	-
<b>Total expenditures</b>	<b>1,620,226</b>	<b>12,681,389</b>	<b>8,266,618</b>	<b>3,665,084</b>	<b>986,821</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(442,340)</b>	<b>1,032,671</b>	<b>65,431</b>	<b>(3,665,084)</b>	<b>(102,067)</b>
<b>Other financing sources (uses):</b>					
Transfers in	1,051,885	-	-	4,072,578	-
Transfers (out)	-	-	-	-	(21,563)
Premiums on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,051,885</b>	<b>-</b>	<b>-</b>	<b>4,072,578</b>	<b>(21,563)</b>
<b>Net change in fund balances</b>	<b>609,545</b>	<b>1,032,671</b>	<b>65,431</b>	<b>407,494</b>	<b>(123,630)</b>
Fund balances – beginning	(399,573)	1,374,500	-	198,707	2,071,623
Fund balances – ending	\$ 209,972	2,407,171	65,431	606,201	1,947,993

## Special Revenue Funds

School Grants	School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
40,214,907	449,854	750,310	2,271,035	5,376,470	14,588,192	76,948,731
-	-	-	-	-	203	203
10,681	1,240,275	6,176,255	34,854	81,047	86,947	18,440,845
186,443	-	-	-	35,183	5,252,947	5,474,573
-	-	-	-	-	-	-
-	-	173,924	-	-	424,834	598,758
<u>40,412,031</u>	<u>1,690,129</u>	<u>7,100,489</u>	<u>2,305,889</u>	<u>5,492,700</u>	<u>20,353,123</u>	<u>101,463,110</u>
-	-	-	-	-	2,705,636	2,745,376
-	-	-	-	-	3,533,209	12,361,915
-	-	-	-	5,710,341	8,088,553	14,128,574
40,991,949	1,822,242	-	-	-	-	55,495,580
-	-	-	-	-	229,566	2,182,369
-	-	-	-	-	1,701,351	2,763,667
-	-	-	1,755,319	-	2,451,353	4,206,672
-	-	-	285,000	-	112,765	2,004,353
-	-	-	292,316	-	69,407	1,080,639
<u>40,991,949</u>	<u>1,822,242</u>	<u>-</u>	<u>2,332,635</u>	<u>5,710,341</u>	<u>18,891,840</u>	<u>96,969,145</u>
<u>(579,918)</u>	<u>(132,113)</u>	<u>7,100,489</u>	<u>(26,746)</u>	<u>(217,641)</u>	<u>1,461,283</u>	<u>4,493,965</u>
263,114	664	65,715	-	-	977,806	6,431,762
-	-	(7,023,667)	-	21,563	(590,248)	(7,613,915)
-	-	2,488,496	-	-	-	2,488,496
-	-	-	-	-	-	-
<u>263,114</u>	<u>664</u>	<u>(4,469,456)</u>	<u>-</u>	<u>21,563</u>	<u>387,558</u>	<u>1,306,343</u>
<u>(316,804)</u>	<u>(131,449)</u>	<u>2,631,033</u>	<u>(26,746)</u>	<u>(196,078)</u>	<u>1,848,841</u>	<u>5,800,308</u>
<u>6,869,000</u>	<u>2,004,735</u>	<u>18,978,934</u>	<u>76,501</u>	<u>1,208,387</u>	<u>11,429,615</u>	<u>43,812,429</u>
<u>6,552,196</u>	<u>1,873,286</u>	<u>21,609,967</u>	<u>49,755</u>	<u>1,012,309</u>	<u>13,278,456</u>	<u>49,612,737</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, 2014

	<u>Capital Projects Funds</u>			
	<u>Street and Sidewalk</u>	<u>Capital Equipment</u>	<u>School Construction</u>	<u>Parks Improvements</u>
<b>Revenues:</b>				
Intergovernmental	\$ 4,584,875	-	-	1,022,730
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	165,389	-	-	-
Contributions to permanent fund	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>4,750,264</u>	<u>-</u>	<u>-</u>	<u>1,022,730</u>
<b>Expenditures:</b>				
Current:				
General government	-	391,943	-	-
Public safety	-	1,117,712	-	-
Health and human services	-	-	-	-
Education	-	681,628	1,215,129	-
Public works	16,534,996	1,221,839	-	-
Culture and recreation	-	421,835	-	7,398,402
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>16,534,996</u>	<u>3,834,957</u>	<u>1,215,129</u>	<u>7,398,402</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(11,784,732)</u>	<u>(3,834,957)</u>	<u>(1,215,129)</u>	<u>(6,375,672)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	446,078	-	764,500
Transfers (out)	(979,343)	-	-	-
Premiums on issuance of bonds	-	-	-	-
Issuance of bonds	15,775,000	2,810,000	-	5,292,500
<b>Total other financing sources (uses)</b>	<u>14,795,657</u>	<u>3,256,078</u>	<u>-</u>	<u>6,057,000</u>
<b>Net change in fund balances</b>	<u>3,010,925</u>	<u>(578,879)</u>	<u>(1,215,129)</u>	<u>(318,672)</u>
Fund balances – beginning	<u>(9,408,100)</u>	<u>(1,759,846)</u>	<u>1,254,865</u>	<u>123,810</u>
Fund balances – ending	<u>\$ (6,397,175)</u>	<u>(2,338,725)</u>	<u>39,736</u>	<u>(194,862)</u>

<b>Capital Projects Funds</b>		
<b>Union Station Garage</b>	<b>Other</b>	<b>Subtotal</b>
-	159,067	5,766,672
-	49	49
-	-	-
-	-	165,389
-	-	-
-	-	-
-	159,116	5,932,110
-	-	391,943
-	-	1,117,712
-	-	-
-	-	1,896,757
-	721,162	18,477,997
-	-	7,820,237
-	49,334	49,334
-	-	-
-	-	-
-	770,496	29,753,980
-	(611,380)	(23,821,870)
-	26,562	1,237,140
(222,775)	(434,000)	(1,636,118)
-	-	-
-	300,000	24,177,500
(222,775)	(107,438)	23,778,522
(222,775)	(718,818)	(43,348)
1,502,669	4,002,818	(4,283,784)
1,279,894	3,284,000	(4,327,132)

(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, 2014

	<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)	690,133	477,172	1,048,586	133,009	87,295
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent fund	63,492	456	1,570	3,451	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>753,625</b>	<b>477,628</b>	<b>1,050,156</b>	<b>136,460</b>	<b>87,295</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	1,000	-	-	-
Education	-	-	-	7,900	-
Public works	-	-	-	-	-
Culture and recreation	-	-	106,474	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,000</b>	<b>106,474</b>	<b>7,900</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>753,625</b>	<b>476,628</b>	<b>943,682</b>	<b>128,560</b>	<b>87,295</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	(37,388)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(37,388)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>716,237</b>	<b>476,628</b>	<b>943,682</b>	<b>128,560</b>	<b>87,295</b>
Fund balances – beginning	3,240,927	2,349,475	8,061,025	682,112	425,730
Fund balances – ending	\$ 3,957,164	2,826,103	9,004,707	810,672	513,025

<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>	
-	-	-	-	-	82,715,403
1,834	71,187	112,381	813	2,622,410	2,622,662
-	-	-	-	-	18,440,845
-	-	-	-	-	5,639,962
-	-	-	-	68,969	68,969
-	-	-	-	-	598,758
<u>1,834</u>	<u>71,187</u>	<u>112,381</u>	<u>813</u>	<u>2,691,379</u>	<u>110,086,599</u>
-	-	-	-	-	3,137,319
-	-	-	-	-	13,479,627
-	-	-	500	1,500	14,130,074
-	-	-	-	7,900	57,400,237
-	10,633	-	-	10,633	20,670,999
-	-	-	-	106,474	10,690,378
-	-	-	-	-	4,256,006
-	-	-	-	-	2,004,353
-	-	-	-	-	1,080,639
<u>-</u>	<u>10,633</u>	<u>-</u>	<u>500</u>	<u>126,507</u>	<u>126,849,632</u>
<u>1,834</u>	<u>60,554</u>	<u>112,381</u>	<u>313</u>	<u>2,564,872</u>	<u>(16,763,033)</u>
-	-	-	-	-	7,668,902
-	-	-	-	(37,388)	(9,287,421)
-	-	-	-	-	2,488,496
-	-	-	-	-	24,177,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,388)</u>	<u>25,047,477</u>
<u>1,834</u>	<u>60,554</u>	<u>112,381</u>	<u>313</u>	<u>2,527,484</u>	<u>8,284,444</u>
<u>8,866</u>	<u>357,487</u>	<u>557,004</u>	<u>6,911</u>	<u>15,689,537</u>	<u>55,218,182</u>
<u>10,700</u>	<u>418,041</u>	<u>669,385</u>	<u>7,224</u>	<u>18,217,021</u>	<u>63,502,626</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, 2014

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,194,740	1,194,740	1,063,667	(131,073)
Miscellaneous	6,633	6,633	32,731	26,098
Total revenues	<u>1,201,373</u>	<u>1,201,373</u>	<u>1,096,398</u>	<u>(104,975)</u>
Expenditures:				
Salaries and benefits	302,050	309,693	308,589	1,104
Ordinary maintenance	778,513	770,807	750,134	20,673
Debt service	221,781	221,844	221,844	-
Indirect costs	30,607	30,607	30,607	-
Total expenditures	<u>1,332,951</u>	<u>1,332,951</u>	<u>1,311,174</u>	<u>21,777</u>
Excess (deficiency) of revenues over expenditures	<u>(131,578)</u>	<u>(131,578)</u>	<u>(214,776)</u>	<u>(83,198)</u>
Other financing sources (uses):				
Transfers in	150,000	150,000	233,198	83,198
Transfers (out) for pension bond assessment	<u>(18,422)</u>	<u>(18,422)</u>	<u>(18,422)</u>	<u>-</u>
Total other financing sources (uses)	<u>131,578</u>	<u>131,578</u>	<u>214,776</u>	<u>83,198</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>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	\$ 1,311,174	-
Net change in OPEB liability	12,912	(12,912)
Capital projects expenses	78,368	(78,368)
Debt service principal	(155,800)	155,800
Net change in accrued interest	(1,549)	1,549
Depreciation	<u>137,047</u>	<u>(137,047)</u>
As reported on a GAAP basis	<u>1,382,152</u>	<u>(70,978)</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, 2014

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 36,187,748	36,187,748	35,176,197	(1,011,551)
Miscellaneous	266,000	266,000	722,628	456,628
Total revenues	<u>36,453,748</u>	<u>36,453,748</u>	<u>35,898,825</u>	<u>(554,923)</u>
Expenditures:				
Salaries and benefits	5,672,803	5,852,363	5,725,954	126,409
Ordinary maintenance	19,801,105	19,601,798	19,521,294	80,504
Capital	24,500	24,500	10,818	13,682
Debt service	7,145,668	7,165,415	7,165,415	-
Indirect costs	3,243,300	3,243,300	3,243,300	-
Total expenditures	<u>35,887,376</u>	<u>35,887,376</u>	<u>35,666,781</u>	<u>220,595</u>
Excess of revenues over expenditures	<u>566,372</u>	<u>566,372</u>	<u>232,044</u>	<u>(334,328)</u>
Other financing sources (uses):				
Transfers in	-	-	673,110	673,110
Transfers (out) for pension bond assessment	(566,372)	(566,372)	(566,372)	-
Total other financing sources (uses)	<u>(566,372)</u>	<u>(566,372)</u>	<u>106,738</u>	<u>673,110</u>
Net changes in fund balance	-	-	338,782	338,782
Budgetary fund balance – beginning	<u>2,289,993</u>	<u>2,289,993</u>	<u>2,289,993</u>	-
Budgetary fund balance – ending	\$ <u>2,289,993</u>	<u>2,289,993</u>	<u>2,628,775</u>	<u>338,782</u>

**Reconciliation to GAAP-basis:**

	<u>Revenues</u>	<u>Expenses</u>	<u>Capital Grants and Donations</u>	<u>Net Change in Fund Balance/ Net Position</u>
As reported on a budgetary basis	35,898,825	35,666,781	-	338,782
Net change in accrued receivables	362,847	-	-	362,847
Net change in OPEB liability	-	203,866	-	(203,866)
Net change in compensated absences	-	11,014	-	(11,014)
Net change in claims and judgments	-	206,827	-	(206,827)
Capital projects expenses	-	927,741	-	(927,741)
Capital grants and donations	-	-	248,841	248,841
Debt service principal	-	(4,302,500)	-	4,302,500
Net change in accrued interest	-	518	-	(518)
Depreciation	-	6,617,566	-	(6,617,566)
As reported on a GAAP basis	<u>36,261,672</u>	<u>39,331,813</u>	<u>248,841</u>	<u>(2,714,562)</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, 2014

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 27,740,236	27,740,236	27,002,656	(737,580)
Miscellaneous	640,000	640,000	1,407,226	767,226
Total revenues	28,380,236	28,380,236	28,409,882	29,646
Expenditures:				
Salaries and benefits	10,315,256	10,346,049	9,673,827	672,222
Ordinary maintenance	3,559,023	3,528,230	3,509,410	18,820
Capital	25,000	25,000	13,727	11,273
Debt service	11,574,442	11,574,442	11,571,762	2,680
Indirect costs	2,139,586	2,139,586	2,139,586	-
Total expenditures	27,613,307	27,613,307	26,908,312	704,995
Excess of revenues over expenditures	766,929	766,929	1,501,570	734,641
Other financing sources (uses):				
Transfers (out) for pension bond assessment	(766,929)	(766,929)	(766,929)	-
Total other financing sources (uses)	(766,929)	(766,929)	(766,929)	-
Net changes in fund balance	-	-	734,641	734,641
Budgetary fund balance – beginning	2,629,521	2,629,521	2,629,521	-
Budgetary fund balance – ending	\$ 2,629,521	2,629,521	3,364,162	734,641

**Reconciliation to GAAP-basis:**

	Revenues	Expenses	Capital Grants and Donations and Transfers	Net Change in Fund Balance/ Net Position
As reported on a budgetary basis	28,409,882	26,908,312	(766,929)	734,641
Net change in accrued receivables	(166,897)	-	-	(166,897)
Net change in OPEB liability	-	490,331	-	(490,331)
Net change in compensated absences	-	10,176	-	(10,176)
Net change in claims and judgments	-	(152,519)	-	152,519
Capital projects expenses	-	1,174,530	-	(1,174,530)
Capital grants/donations and transfers in	-	-	164,314	164,314
Debt service principal	-	(8,847,806)	-	8,847,806
Net change in accrued interest	-	(80,969)	-	80,969
Depreciation	-	6,397,058	-	(6,397,058)
As reported on a GAAP basis	28,242,985	25,899,113	(602,615)	1,741,257

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**CITY OF WORCESTER, MASSACHUSETTS**

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

June 30, 2014

<b>Function and activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements other than buildings</b>
General government:			
Manager	\$ 6,107,131	-	-
Technical Services	-	1,736,428	-
Total general government	<u>6,107,131</u>	<u>1,736,428</u>	<u>-</u>
Public safety:			
Police	514,500	1,591,685	219,620
Fire	1,074,600	11,436,673	-
Inspectional Services	209,905	252,870	-
Communications	-	684,375	-
Total public safety	<u>1,799,005</u>	<u>13,965,603</u>	<u>219,620</u>
Health and human services:			
Elder Affairs	-	1,166,730	27,352
Total health and human services	<u>-</u>	<u>1,166,730</u>	<u>27,352</u>
Public works	<u>3,489,339</u>	<u>36,267,842</u>	<u>651,760</u>
Education	<u>3,358,537</u>	<u>226,996,233</u>	<u>7,184,363</u>
Culture and recreation:			
Library	305,000	14,135,872	-
Auditorium	150,000	1,550,795	-
DCU Center	263,000	61,686,769	-
Hope Cemetery	290,000	771,445	-
Parks	5,097,800	3,876,339	23,396,801
Total culture and recreation	<u>6,105,800</u>	<u>82,021,220</u>	<u>23,396,801</u>
Total governmental activities capital assets	<u>\$ 20,859,812</u>	<u>362,154,056</u>	<u>31,479,896</u>

<b>Rolling equipment</b>	<b>Equipment and other</b>	<b>Infrastructure</b>	<b>Construction in progress</b>	<b>Total</b>
-	-	-	31,277,320	37,384,451
-	102,541	-	-	1,838,969
-	102,541	-	31,277,320	39,223,420
8,605	-	-	-	2,334,410
2,778,683	351,178	739,915	-	16,381,049
-	-	-	-	462,775
-	8,217	-	-	692,592
2,787,288	359,395	739,915	-	19,870,826
-	-	-	-	1,194,082
-	-	-	-	1,194,082
1,501,035	592,407	116,989,143	88,095,704	247,587,230
679,233	5,910,786	-	3,502,313	247,631,465
-	614,280	-	-	15,055,152
-	-	-	-	1,700,795
-	249,751	-	170,228	62,369,748
-	-	-	-	1,061,445
143,154	263,230	188,399	15,137,383	48,103,106
143,154	1,127,261	188,399	15,307,611	128,290,246
5,110,710	8,092,390	117,917,457	138,182,948	683,797,269

## 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, 2014

<u>Function and activity</u>	<u>Governmental activities capital assets July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental activities capital assets June 30, 2014</u>
General government:				
Manager	\$ 31,320,518	6,063,933	-	37,384,451
Information Services	1,916,111	-	77,142	1,838,969
Total general government	<u>33,236,629</u>	<u>6,063,933</u>	<u>77,142</u>	<u>39,223,420</u>
Public safety:				
Police	2,626,097	-	291,687	2,334,410
Fire	17,414,446	-	1,033,397	16,381,049
Inspectional Services	516,031	-	53,256	462,775
Communications	752,005	-	59,413	692,592
Total public safety	<u>21,308,579</u>	<u>-</u>	<u>1,437,753</u>	<u>19,870,826</u>
Health and human services:				
Elder Affairs	1,409,074	-	214,992	1,194,082
Public works	230,648,417	28,713,146	11,774,333	247,587,230
Education	243,858,225	15,731,783	11,958,543	247,631,465
Culture and recreation:				
Library	15,529,077	176,653	650,578	15,055,152
Auditorium	1,895,202	-	194,407	1,700,795
DCU Center	50,091,534	15,499,635	3,221,421	62,369,748
Hope Cemetery	1,090,253	-	28,808	1,061,445
Parks	40,536,940	9,612,387	2,046,221	48,103,106
Total culture and recreation	<u>109,143,006</u>	<u>25,288,675</u>	<u>6,141,435</u>	<u>128,290,246</u>
Total governmental activities capital assets	<u>\$ 639,603,930</u>	<u>75,797,537</u>	<u>31,604,198</u>	<u>683,797,269</u>

**CITY OF WORCESTER, MASSACHUSETTS**  
 Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 424,041	500,851	(522,071)	402,821
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 10,203	5,679	(10,203)	5,679
Due to student groups	413,838	500,851	(517,547)	397,142
Total liabilities	\$ 424,041	506,530	(527,750)	402,821

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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.

### Table of Contents

	<b>Page</b>
<b>Financial Trends</b>	135
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>	148
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	153
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>	156
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>	159
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

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Table 1

**CITY OF WORCESTER, MASSACHUSETTS**

Net Position by Component (1)

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities:</b>										
Net investment in capital assets (1)	\$ 127,478	128,364	175,962	187,454	201,247	236,864	280,669	288,776	310,299	333,718
Restricted	39,064	29,255	45,711	65,072	42,371	29,804	42,290	40,376	43,534	54,995
Unrestricted	(114,087)	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)	(230,791)	(232,785)	(254,054)	(290,824)
Total governmental activities net position	\$ <u>52,455</u>	<u>39,112</u>	<u>107,010</u>	<u>89,421</u>	<u>68,295</u>	<u>57,753</u>	<u>92,168</u>	<u>96,367</u>	<u>99,779</u>	<u>97,889</u>
<b>Business-type activities:</b>										
Net investment in capital assets (1)	\$ 109,124	104,871	99,181	110,861	121,480	120,990	87,708	87,856	86,123	86,648
Restricted	2,749	-	-	-	-	-	1,601	-	-	-
Unrestricted	13,550	20,271	24,749	11,716	10,026	7,978	8,344	10,776	11,024	9,455
Total business-type net position	\$ <u>125,423</u>	<u>125,142</u>	<u>123,930</u>	<u>122,577</u>	<u>131,506</u>	<u>128,968</u>	<u>97,653</u>	<u>98,632</u>	<u>97,147</u>	<u>96,103</u>
<b>Primary government:</b>										
Net investment in capital assets (1)	\$ 236,602	233,235	275,143	298,315	322,727	357,854	368,377	376,632	396,422	420,366
Restricted	41,813	29,255	45,711	65,072	42,371	29,804	43,891	40,376	43,534	54,995
Unrestricted	(100,537)	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)	(222,447)	(222,009)	(243,030)	(281,369)
Total primary government net position	\$ <u>177,878</u>	<u>164,254</u>	<u>230,940</u>	<u>211,998</u>	<u>199,801</u>	<u>186,721</u>	<u>189,821</u>	<u>194,999</u>	<u>196,926</u>	<u>193,992</u>

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

Table 2

## CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (2)

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2005	2006	2007	2008 (1)	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 16,316	18,222	19,583	22,268	23,416	20,862	21,026	21,552	24,652	25,334
Public safety	105,119	113,545	115,321	132,411	130,554	126,546	123,114	126,488	129,490	136,209
Health and human services	21,524	20,880	19,873	23,366	21,229	23,994	25,033	20,597	18,396	17,868
Education	329,699	353,126	366,311	406,208	421,160	425,765	432,824	435,526	451,582	464,866
Public works	31,077	27,027	26,954	34,727	41,457	33,387	37,435	39,584	40,387	43,318
Culture and recreation	14,625	15,794	18,621	19,895	16,475	20,018	17,528	21,535	21,756	20,522
Community development	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820	4,256
Redevelopment	5,770	-	-	-	-	-	-	-	-	-
Interest on debt	25,734	25,336	25,283	25,366	24,534	25,351	22,573	23,968	25,873	26,555
Total governmental activities expenses	554,053	577,495	595,819	669,005	683,767	682,041	687,459	693,649	713,956	738,928
Business-type activities:										
Water	21,535	22,141	24,727	25,213	25,669	25,638	24,911	24,388	25,734	25,899
Sewer	22,719	24,352	28,309	29,258	31,134	32,742	33,737	35,284	37,991	39,332
Airport	4,158	4,527	4,360	4,703	5,082	5,047	1,417	-	-	-
Golf course (nonmajor)	1,026	1,164	1,180	1,227	1,148	1,122	1,238	1,246	1,293	1,382
Total business-type expenses	49,438	52,184	58,576	60,401	63,033	64,549	61,303	60,918	65,018	66,613
Total primary government expenses	\$ 603,491	629,679	654,395	729,406	746,800	746,590	748,762	754,567	778,974	805,541
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 12,997	12,940	13,925	13,580	11,813	13,536	13,775	15,935	14,969	16,118
Public works	6,674	7,436	8,005	9,160	11,078	10,970	10,986	11,917	9,920	11,356
Other activities	6,889	6,700	7,780	7,641	7,383	8,443	9,738	8,823	8,752	8,770
Operating grants and contributions	303,411	295,107	315,692	326,260	345,103	348,563	368,157	363,538	365,227	374,157
Capital grants and contributions	5,160	5,217	65,551	28,979	23,187	28,084	32,916	10,691	23,252	15,562
Total governmental activities program revenues	335,131	327,400	410,953	385,620	398,564	409,596	435,572	410,904	422,120	425,963
Business-type activities:										
Charges for services:										
Water	24,132	22,735	24,623	24,251	24,993	24,102	25,946	27,002	26,838	28,243
Sewer	19,775	22,449	25,670	26,928	28,939	29,247	31,320	34,443	34,066	36,262
Airport	915	978	844	802	862	1,015	152	-	-	-
Golf course (nonmajor)	1,029	1,041	1,088	1,127	1,048	987	1,035	1,127	1,058	1,096
Operating grants and contributions	1,241	1,006	593	1,174	1,395	1,413	1,282	-	385	-
Capital grants and contributions	3,081	3,114	2,255	4,226	14,821	3,514	641	2,691	2,106	386
Total business-type activities program revenues	50,173	51,323	55,073	58,508	72,058	60,278	60,376	65,263	64,453	65,987
Total primary government program revenues	\$ 385,304	378,723	466,026	444,128	470,622	469,874	495,948	476,167	486,573	491,950

(continued)

Table 2

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

	2005	2006	2007	2008 (1)	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (218,922)	(250,095)	(184,866)	(283,385)	(285,203)	(272,445)	(251,887)	(282,745)	(291,836)	(312,965)
Business-type activities	735	(861)	(3,503)	(1,893)	9,025	(4,271)	(927)	4,345	(565)	(626)
Total primary government net (expense)/ revenue	\$ (218,187)	(250,956)	(188,369)	(285,278)	(276,178)	(276,716)	(252,814)	(278,400)	(292,401)	(313,591)
<b>General Revenues and Other Changes in Net Assets/Position</b>										
Governmental activities:										
Property taxes	\$ 161,648	171,490	179,130	188,930	197,472	205,558	215,511	225,460	233,206	247,313
Motor vehicle excise taxes	13,503	12,096	11,893	12,932	11,393	11,050	11,519	11,866	12,720	13,075
Intergovernmental	43,026	44,146	53,813	54,561	48,493	37,476	36,220	36,298	36,039	36,974
Other	9,073	9,493	10,060	9,000	6,269	9,505	12,809	9,886	11,730	13,227
Transfers (net)	88	(580)	(2,291)	(540)	96	(1,733)	13,250	3,366	920	418
Gain on sale of capital assets	-	-	-	622	296	-	-	-	564	-
Donations	145	107	159	291	58	47	48	68	69	68
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	(3,055)	-	-	-
Total governmental activities	227,483	236,752	252,764	265,796	264,077	261,903	286,302	286,944	295,248	311,075
Business-type activities										
Transfers (net)	(88)	580	2,291	540	(96)	1,733	(13,250)	(3,366)	(920)	(418)
Loss on airport disposal	-	-	-	-	-	-	(20,193)	-	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	3,055	-	-	-
Total business-type activities	(88)	580	2,291	540	(96)	1,733	(30,388)	(3,366)	(920)	(418)
Total primary government	\$ 227,395	237,332	255,055	266,336	263,981	263,636	255,914	283,578	294,328	310,657
<b>Changes in Net Position</b>										
Governmental activities	\$ 8,561	(13,343)	67,898	(17,589)	(21,126)	(10,542)	34,415	4,199	3,412	(1,890)
Business-type activities	647	(281)	(1,212)	(1,353)	8,929	(2,538)	(31,315)	979	(1,485)	(1,044)
Total primary government	\$ 9,208	(13,624)	66,686	(18,942)	(12,197)	(13,080)	3,100	5,178	1,927	(2,934)

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

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

(concluded)

Table 3

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

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Total
2005	\$ 161,648	13,503	753	-	-	-	175,904
2006	171,490	12,096	709	-	-	-	184,295
2007	179,130	11,893	845	-	-	-	191,868
2008	188,930	12,932	1,104	198	20	-	203,184
2009	197,472	11,393	1,483	327	30	-	210,705
2010	205,558	11,050	1,422	1,431	31	-	219,492
2011	215,511	11,519	1,787	2,450	32	-	231,299
2012	225,460	11,866	1,939	2,568	32	-	241,865
2013	233,206	12,720	1,940	2,686	45	-	250,597
2014	247,313	13,075	2,005	2,816	48	966	266,223

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

Table 4

**CITY OF WORCESTER, MASSACHUSETTS**

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011 (2)	2012	2013	2014
General fund:										
Reserved	\$ 1,618	-	-	-	-	-	-	-	-	-
Unreserved	14,857	9,290	10,025	11,906	6,107	12,029	-	-	-	-
Restricted	-	-	-	-	-	-	1,070	1,444	2,652	7,020
Unassigned	-	-	-	-	-	-	17,758	25,520	27,869	27,870
Total general fund	<u>\$ 16,475</u>	<u>9,290</u>	<u>10,025</u>	<u>11,906</u>	<u>6,107</u>	<u>12,029</u>	<u>18,828</u>	<u>26,964</u>	<u>30,521</u>	<u>34,890</u>
All other governmental funds:										
Reserved	\$ 37,387	29,102	34,323	30,418	34,077	24,963	-	-	-	-
Unreserved, reported in:										
Special revenue funds	20,646	18,056	11,171	13,438	17,974	18,098	-	-	-	-
Capital projects funds (1)	16,923	(12,039)	11,196	34,529	8,215	4,752	-	-	-	-
Permanent funds	60	153	191	125	79	89	-	-	-	-
Nonspendable	-	-	-	-	-	-	14,215	13,918	15,579	11,961
Restricted	-	-	-	-	-	-	37,287	31,849	32,228	38,863
Committed	-	-	-	-	-	-	22,673	29,057	35,896	39,734
Unassigned	-	-	-	-	-	-	(11,518)	(35,686)	(38,492)	(41,479)
Total all other governmental funds	<u>\$ 75,016</u>	<u>35,272</u>	<u>56,881</u>	<u>78,510</u>	<u>60,345</u>	<u>47,902</u>	<u>62,657</u>	<u>39,138</u>	<u>45,211</u>	<u>49,079</u>

(1) Unreserved fund balance in capital projects funds increased when temporary debt outstanding at year end was repaid with permanent debt before the audit reporting date in fiscal 2005 and 2008.

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

Table 5

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>REVENUES</b>										
Property taxes	\$ 163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,327	246,742
Motor vehicle excise taxes	13,101	12,189	12,545	12,677	11,370	11,551	11,311	11,888	12,843	13,281
Other taxes and in-lieu payments	1,971	2,252	2,188	3,684	4,941	5,539	6,365	6,015	6,064	6,559
Penalties and interest on taxes	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532	2,440
Licenses and permits	5,692	5,571	4,354	4,726	4,402	4,890	4,865	5,210	4,992	5,274
Intergovernmental	356,548	350,840	407,873	405,755	411,424	423,208	445,106	417,838	425,047	434,696
Charges for services	17,645	17,913	19,920	21,107	21,055	22,847	23,539	24,988	24,106	24,123
Fines and forfeitures	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594	3,151
Investment earnings (losses)	2,056	3,100	4,292	2,766	(929)	1,598	2,543	(35)	2,116	3,107
Donations	2,908	2,640	3,793	4,951	2,468	3,633	5,528	4,677	11,396	5,997
Contributions to permanent funds	145	107	159	291	58	47	48	68	69	69
Miscellaneous	3,063	1,725	1,295	1,013	1,246	1,621	89	1,723	1,452	1,845
Total revenues	<u>572,627</u>	<u>573,619</u>	<u>639,868</u>	<u>652,111</u>	<u>659,554</u>	<u>685,228</u>	<u>720,855</u>	<u>703,590</u>	<u>726,538</u>	<u>747,284</u>
<b>EXPENDITURES</b>										
General government	13,861	14,314	15,720	17,957	16,644	15,308	15,936	28,650	31,911	25,559
Public safety	79,286	82,119	87,316	93,942	92,323	89,308	90,395	94,006	93,314	96,604
Health and human services	18,545	17,045	16,470	19,649	18,172	21,118	22,499	17,788	15,547	14,872
Education (1)	271,977	261,385	257,076	261,869	285,359	297,701	302,392	299,134	296,957	316,669
Public works	29,652	29,629	44,611	49,363	39,126	39,087	53,773	55,072	61,137	53,607
Culture and recreation	14,295	11,323	14,203	14,766	16,753	20,952	17,402	16,758	26,590	35,534
Fringe benefits	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073	157,319
Community development	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820	4,256
Redevelopment	5,769	-	-	-	-	-	-	-	-	-
State & regional charges	16,514	19,445	20,551	23,914	26,102	26,865	28,255	29,526	31,243	30,627
Debt service:										
Principal	28,124	30,430	32,886	32,774	34,761	36,637	38,813	36,747	36,746	37,922
Interest	24,674	25,034	26,020	25,829	26,098	24,827	24,023	26,890	27,269	27,964
Total expenditures	<u>625,263</u>	<u>620,670</u>	<u>649,472</u>	<u>681,040</u>	<u>684,598</u>	<u>716,820</u>	<u>748,733</u>	<u>752,692</u>	<u>770,607</u>	<u>800,933</u>
Excess of revenues (under) expenditures	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)	(27,878)	(49,102)	(44,069)	(53,649)

(continued)

Table 5

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 17,608	14,048	13,968	21,296	23,452	21,954	51,549	27,305	27,117	25,473
Transfers (out)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)	(38,299)	(23,832)	(26,197)	(25,055)
Premium on issuance of bonds and notes	3,697	702	464	423	651	820	804	479	3,789	3,366
Sale of capital assets	-	-	-	1,366	325	29	478	-	840	-
Premium from issuance of refunding bonds	-	-	-	-	-	-	-	-	300	-
Issuance of refunding bonds	18,241	55,960	-	-	542	-	-	7,422	3,015	-
Issuance of bonds and notes	54,915	-	33,775	50,067	-	25,955	34,900	29,867	48,150	52,492
Payments to refunded bond escrow agent	(18,241)	(55,960)	-	-	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	(535)	-	-	(7,521)	(3,315)	-
Capital lease	-	-	-	-	-	-	-	-	-	5,609
Total other financing sources (uses), net	<u>58,700</u>	<u>122</u>	<u>31,948</u>	<u>52,439</u>	<u>1,079</u>	<u>25,072</u>	<u>49,432</u>	<u>33,720</u>	<u>53,699</u>	<u>61,885</u>
Net change in fund balances	\$ <u>6,064</u>	<u>(46,929)</u>	<u>22,344</u>	<u>23,510</u>	<u>(23,965)</u>	<u>(6,520)</u>	<u>21,554</u>	<u>(15,382)</u>	<u>9,630</u>	<u>8,236</u>
Debt service as a percentage of noncapital expenditures	9.3%	9.4%	9.6%	9.2%	9.3%	9.3%	9.2%	9.2%	9.1%	9.1%

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

(concluded)

Table 6

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

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	In Lieu of Tax Payments (1)	Special Assessments (1)	Total
2005	\$163,706	13,101	753	-	-	-	-	177,560
2006	171,484	12,189	709	-	-	-	-	184,382
2007	177,781	12,545	845	-	-	-	-	191,171
2008	189,419	12,677	1,104	198	20	-	-	203,200
2009	197,777	11,370	1,483	327	30	-	-	210,630
2010	204,832	11,550	1,422	1,431	31	-	-	219,266
2011	216,370	11,311	1,787	2,450	32	-	-	231,950
2012	225,501	11,888	1,939	2,568	32	-	-	241,928
2013	233,328	12,843	1,940	2,686	45	-	-	250,842
2014	246,742	13,281	2,005	2,816	48	966	724	266,582

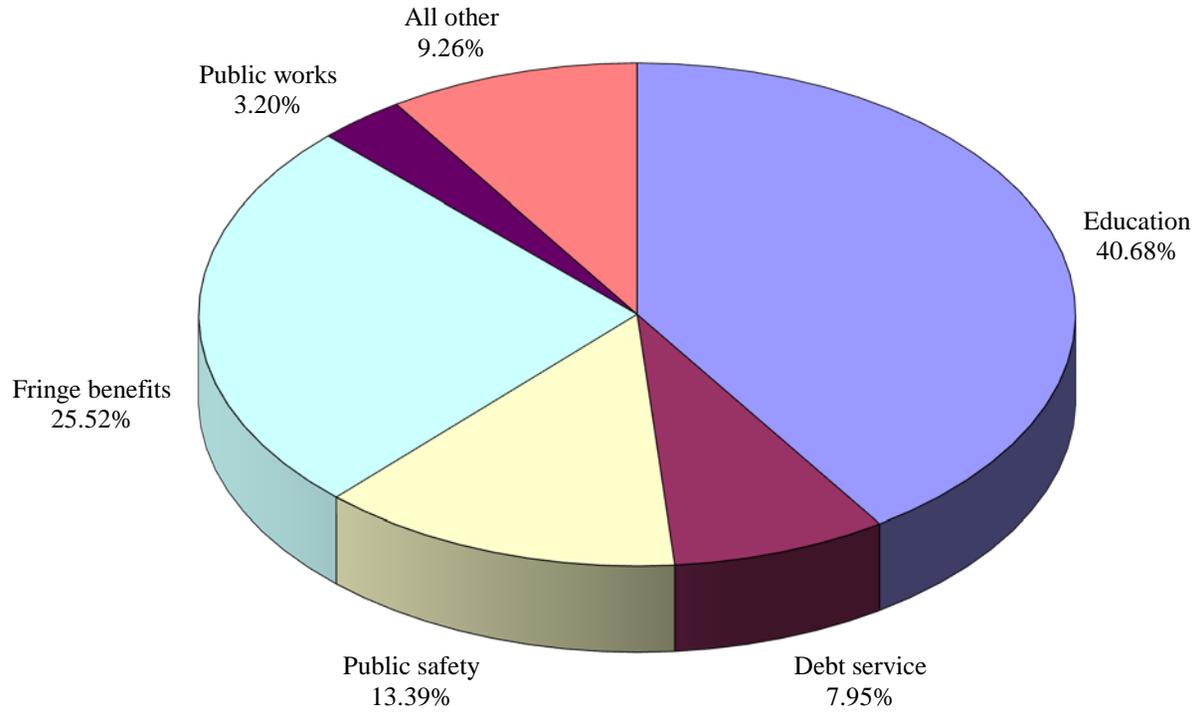
(1) In lieu of tax payments and special assessments are reported in this table starting in fiscal year 2014

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**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Expenditures – Modified Accrual Basis of  
Accounting  
Year ended June 30, 2014

**Graph 1**



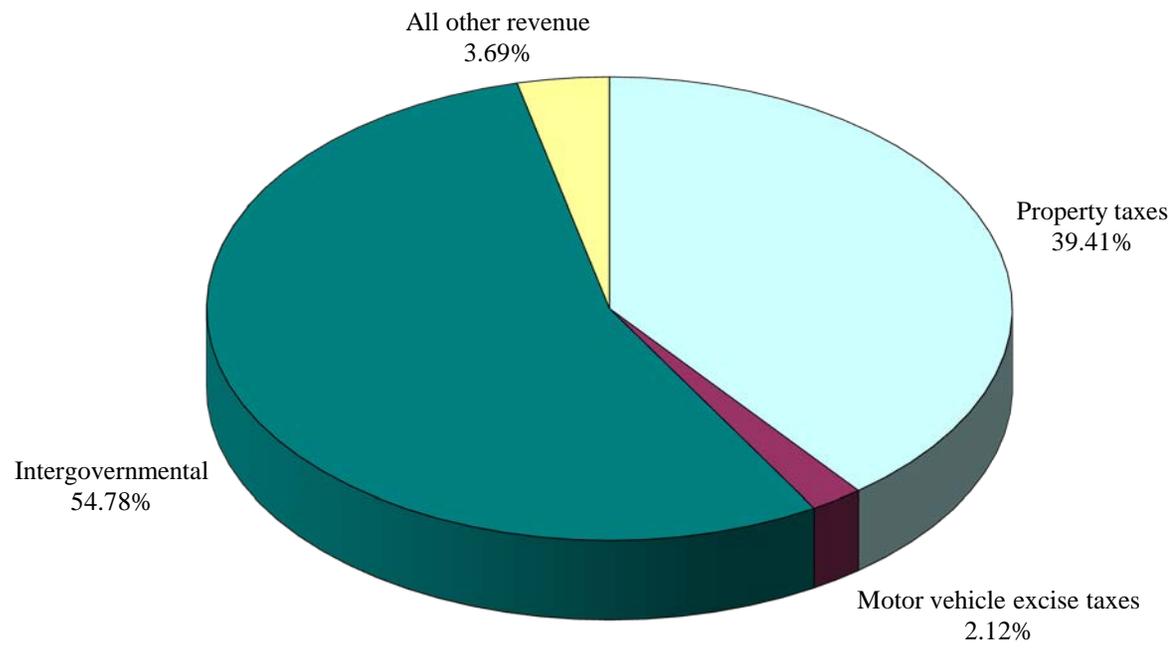
**Table 7**

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	\$ 11,216	12,574	13,316	13,785	13,981	12,749	13,730	14,598	15,570	16,809
Public safety	64,776	71,360	74,813	78,576	79,656	76,689	74,931	77,812	80,413	82,546
Health and human services	2,805	3,629	3,832	3,776	2,639	575	675	764	926	730
Education	190,912	199,411	191,976	197,241	199,840	198,001	205,918	222,923	235,106	250,819
Public works	19,000	17,537	16,610	20,121	22,491	18,096	18,255	18,030	18,995	19,740
Culture and recreation	7,121	7,679	8,441	8,400	9,016	7,955	7,807	8,123	8,467	8,951
Fringe benefits	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073	157,319
State and regional charges	16,514	19,445	20,550	23,914	26,102	26,865	28,254	29,526	31,243	30,627
Debt service	44,478	44,114	45,466	45,328	45,523	46,853	47,095	47,067	47,510	48,996
Totals	\$ <u>475,199</u>	<u>502,130</u>	<u>505,750</u>	<u>527,354</u>	<u>523,566</u>	<u>526,682</u>	<u>543,984</u>	<u>562,565</u>	<u>586,303</u>	<u>616,537</u>

**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Revenues – Modified Accrual Basis of Accounting  
Year ended June 30, 2014

**Graph 2**



**Table 8**

**CITY OF WORCESTER, MASSACHUSETTS**

General Fund Revenues – Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(Amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property taxes	\$ 163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,328	246,742
Motor vehicle excise taxes	13,101	12,189	12,545	12,677	11,370	11,550	11,311	11,888	12,843	13,281
Other taxes and in-lieu payments	1,971	2,252	2,188	2,556	2,529	3,208	4,934	4,440	4,413	4,804
Penalties and interest on taxes	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532	2,440
Licenses and permits	5,692	5,571	4,355	4,726	4,402	4,890	4,865	5,210	4,992	5,274
Intergovernmental	280,301	293,362	295,983	311,475	295,327	303,512	306,267	321,719	332,726	342,950
Charges for services	4,052	3,760	5,684	6,232	5,918	5,909	5,939	5,814	5,746	5,683
Fines and forfeitures	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594	3,151
Investment earnings	1,170	2,140	2,349	1,806	462	105	68	100	318	484
Miscellaneous	1,079	852	1,093	773	790	1,438	1,429	1,318	1,112	1,246
Totals	\$ <u>476,864</u>	<u>497,408</u>	<u>507,646</u>	<u>535,386</u>	<u>524,317</u>	<u>540,906</u>	<u>556,274</u>	<u>581,707</u>	<u>600,604</u>	<u>626,055</u>

**CITY OF WORCESTER, MASSACHUSETTS**

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

**Graph 3**

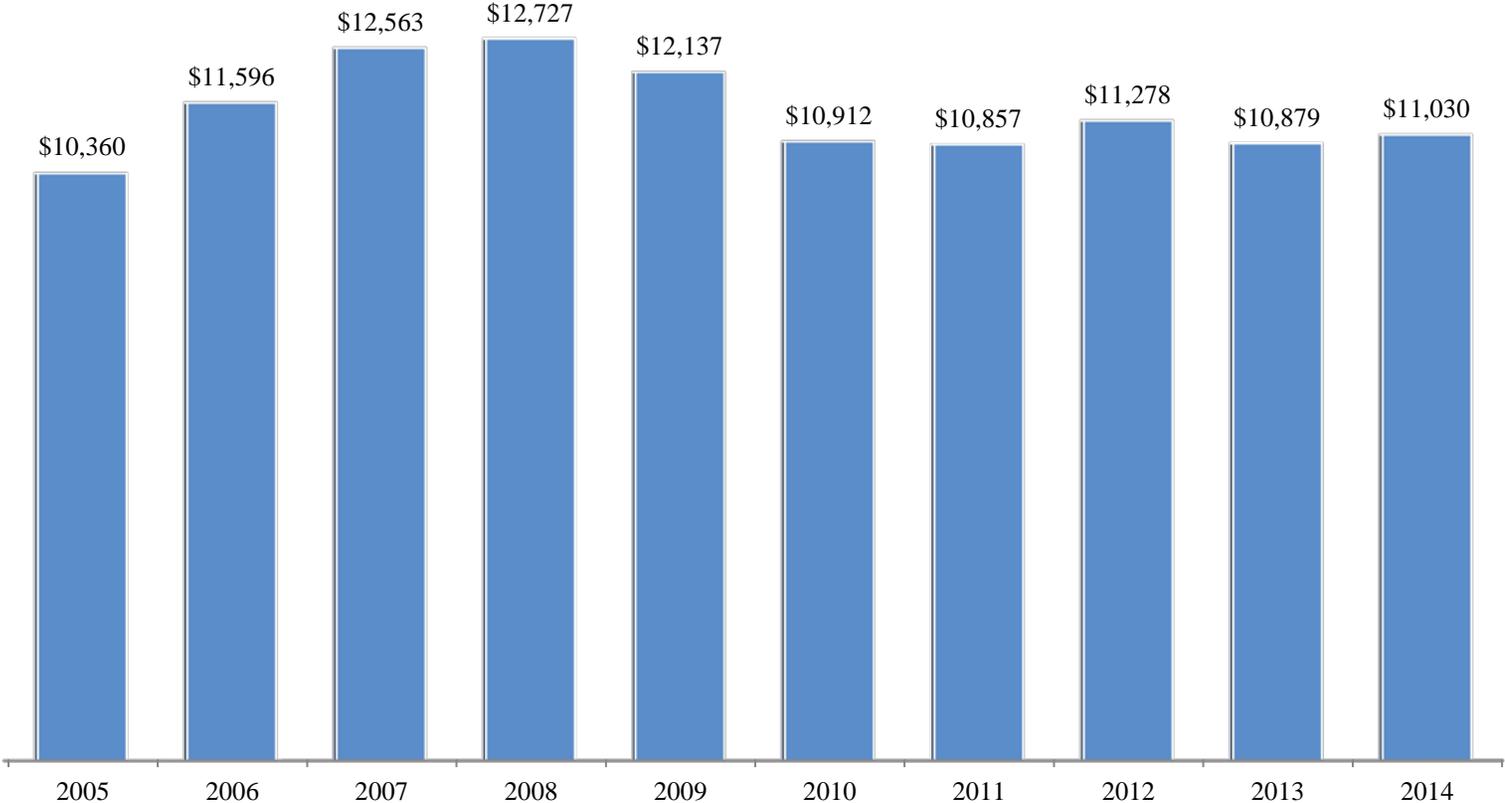


Table 9

**CITY OF WORCESTER, MASSACHUSETTS**  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Amounts expressed in thousands, except for total direct tax rate)

Fiscal Year	Assessed value				Total Direct tax Rate (1)	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
	Residential Property	Commercial and Industrial Property	Personal Property	Total taxable Assessed Value						
2005	\$ 8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86 %	\$ 2,445,616	12,805,705	19.10 %
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
2009	9,816,042	1,933,249	387,967	12,137,258	16.41	13,827,180	87.78	3,004,042	15,141,300	19.84
2010	8,585,028	1,916,902	410,012	10,911,942	19.02	13,827,180	78.92	2,996,065	13,908,007	21.54
2011	8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	2,960,659	13,817,521	21.43
2012	8,157,509	2,527,779	592,328	11,277,616	20.32	11,928,304	94.55	4,460,004	15,737,620	28.34
2013	7,817,607	2,477,244	584,005	10,878,856	22.03	12,173,645	89.36	4,419,631	15,298,487	28.89
2014	7,902,180	2,535,314	592,517	11,030,011	22.74	12,173,645	90.61	4,920,225	15,950,236	30.85

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

**Table 10**

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

<u>Fiscal Year</u>		<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
2005	\$	13.18	27.60	27.60	15.77
2006		12.53	25.20	25.20	14.88
2007		12.10	25.32	25.32	14.47
2008		12.54	26.20	26.20	14.97
2009		13.50	28.72	28.72	16.41
2010		15.15	33.28	33.28	19.02
2011		16.06	34.65	34.65	20.10
2012		16.98	29.07	29.07	20.32
2013		18.58	30.85	30.85	22.03
2014		19.54	30.83	30.83	22.74

Source: Assessing Department

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

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

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

Table 11

**CITY OF WORCESTER, MASSACHUSETTS**  
 Principal Taxpayers - Current Year and Nine Years Ago  
 June 30, 2014  
 (Amounts expressed in thousands)

Taxpayer	Type of business	2014				2005			
		Assessed valuation	Rank	Fiscal 2014 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2005 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 257,375	1	\$ 7,934	3.20 %	\$ 123,608	1	\$ 3,412	2.09 %
VHS Acquisition Subsidiary (St Vincent Hospital)	Medical care	125,142	2	3,858	1.56	62,139	2	1,715	1.05
Nstar Gas Co	Gas utility	106,579	3	3,285	1.33	47,412	5	1,309	0.80
V3B SA LLC (Lincoln Plaza)	Shopping plaza	61,194	4	1,887	0.76	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	57,627	5	1,777	0.72	34,390	9	949	0.58
New England Power Co	Electric utility	57,843	6	1,769	0.71	N/A	N/A	N/A	N/A
440 Lincoln St Holding (Hanover/Allmerica)	Insurance	56,278	7	1,735	0.70	51,494	3	1,421	0.87
Verizon New England	Communications	52,277	8	1,611	0.65	40,386	7	1,115	0.68
Worcester TC LLC (Abbott Bioresearch)	Biotechnology park	42,478	9	1,310	0.53	42,611	6	1,261	0.81
St. Gobain Abrasives Inc. (Norton Company)	Abrasives manufacturer	39,818	10	1,228	0.50	N/A	N/A	N/A	N/A
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	N/A	N/A	N/A	N/A	50,816	4	1,403	0.86
Alexandria Real Estate Equities	Biotechnology park	N/A	N/A	N/A	N/A	32,271	8	1,029	0.63
Liberty Properties Corp.	Industrial park	N/A	N/A	N/A	N/A	28,095	10	775	0.47
Totals		<u>\$ 856,611</u>		<u>\$ 26,394</u>	<u>10.66 %</u>	<u>\$ 513,222</u>		<u>\$ 14,389</u>	<u>8.84 %</u>

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

Source: Assessor's department

**Table 12**

**CITY OF WORCESTER, MASSACHUSETTS**

Property Tax Levies and Collections

Last Ten Fiscal Years

(Amounts expressed in thousands)

<b>Fiscal Year</b>	<b>Total net tax levy for fiscal year</b>	<b>Collected within the Fiscal year of the levy</b>		<b>Collections in Subsequent Years</b>	<b>Total collections to date</b>	
		<b>Amount</b>	<b>Percentage of levy</b>		<b>Amount</b>	<b>Percentage of levy</b>
2005	\$ 162,051	158,415	97.76%	\$ 3,636	162,051	100.00%
2006	170,372	166,275	97.60	4,097	170,372	100.00
2007	179,043	173,398	96.85	5,645	179,043	100.00
2008	188,103	182,941	97.26	5,162	188,103	100.00
2009	197,102	191,590	97.20	5,309	196,899	99.90
2010	204,990	199,535	97.34	5,390	204,925	99.97
2011	215,790	210,277	97.45	5,326	215,603	99.91
2012	224,025	220,352	98.36	3,385	223,737	99.87
2013	237,140	230,540	97.22	5,274	235,814	99.44
2014	247,808	241,606	97.50	-	241,606	97.50

**Table 13**

**CITY OF WORCESTER, MASSACHUSETTS**

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental activities			Business-type activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Section 108 Note	Capital Leases	General Obligation Bonds	Sewer Note			
2005	\$ 518,420	5,800	-	111,910	1,123	637,253	23.33%	\$ 4,127
2006	489,146	5,800	-	103,808	991	599,745	17.98	3,609
2007	490,036	5,800	-	112,729	949	609,514	18.70	3,511
2008	507,329	5,800	-	133,942	906	647,977	19.68	3,975
2009	473,670	4,706	-	124,562	863	603,801	17.73	3,301
2010	463,085	4,608	-	126,287	819	594,799	17.47	3,285
2011	462,302	4,505	-	125,292	774	592,873	17.21	3,264
2012	455,539	4,396	-	123,801	1,693	585,429	17.77	3,205
2013	466,756	4,283	-	135,499	1,645	608,183	17.51	3,332
2014	481,445	4,164	5,048	137,277	1,480	629,414	18.12	3,448

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

- (1) Source: Massachusetts Department of Revenue
- (2) Population data based on 2000 and 2010 Census

**Table 14****CITY OF WORCESTER, MASSACHUSETTS**

## Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

<b>Fiscal year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Assessed Value (1)</b>	<b>Total Per capita (2)</b>
2005	\$ 630,330	6.08%	\$ 4,083
2006	592,954	5.11	3,568
2007	602,765	4.80	3,472
2008	641,271	5.04	3,934
2009	598,232	4.93	3,271
2010	589,372	5.40	3,255
2011	587,594	5.41	3,235
2012	579,340	5.14	3,171
2013	602,255	5.54	3,299
2014	618,722	5.61	3,390

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

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

(2) Population data based on 2000 and 2010 Census

**Table 15**

**CITY OF WORCESTER, MASSACHUSETTS**

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 484,731	484,731	632,729	632,729	691,359	691,359	596,415	596,415	608,682	608,682
Total net debt applicable to limit	199,169	208,140	268,676	268,621	280,473	263,915	342,654	320,926	340,605	447,418
Legal debt margin	\$ 285,562	276,591	364,053	364,108	410,886	427,444	253,761	275,489	268,077	161,264
Total net debt applicable to the limit as a percentage of debt limit	41.09%	42.94%	42.46%	42.45%	40.57%	38.17%	57.45%	53.81%	55.96%	73.51%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Equalized valuation - real estate and personal property (January 1, 2012)	\$ 12,173,645	
Debt limit - 5% of equalized valuation		608,682
Total bonded debt (including authorized and unissued of \$418,939)	\$ 1,037,661	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(409,617)	
Less bonded debt authorized but not yet issued which is outside the debt limit	(180,626)	447,418
Legal debt margin	\$	<u>161,264</u>

**Table 16**

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (2)</u>	<u>Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2005	154,398	\$ 2,731,141	17,689	34.9	24,227	6.0%
2006	166,199	3,335,490	20,069	33.3	23,404	5.7
2007	173,599	3,260,304	18,781	34.2	23,682	6.3
2008	163,006	3,292,572	20,199	35.1	22,844	5.7
2009	182,892	3,404,577	18,615	33.6	23,126	9.3
2010	181,045 (3)	3,403,746	18,801	33.4 (3)	23,281	9.6
2011	181,641	3,445,164	18,967	33.8	23,490	10.0
2012	182,680	3,293,790	18,030	32.7	24,360	9.3
2013	182,538	3,473,093	19,027	32.7	24,740	9.8
2014	182,538 (6)	3,473,093 (6)	19,027 (6)	32.7 (6)	24,562	7.5

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

(2) Source: American Community Survey: (per capita of population 16 years or older) x (population 16 years or older)

(3) US Census Bureau: 2010 census

(4) Source: Worcester School Department as of October 1 of each fiscal year

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

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

**Table 17**

**CITY OF WORCESTER, MASSACHUSETTS**

Full Time Employees

Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	188	197	200	201	175	176	167	175	181	199
Public safety										
Police										
Officers	456	468	465	448	438	415	409	418	426	441
Civilians	47	53	54	51	49	49	49	49	49	51
Fire										
Officers	421	410	402	403	384	385	399	413	393	407
Civilians	10	10	11	11	9	8	8	10	9	10
Other public safety	98	86	89	97	116	110	105	110	112	114
Health and human services	92	102	96	94	56	53	54	55	56	57
Education	3,698	3,658	3,506	3,384	3,433	3,446	3,478	3,456	3,499	3,552
Public works	183	189	185	189	189	174	163	158	168	171
Culture and recreation	133	133	129	135	129	125	117	115	122	130
Water	112	111	106	105	111	109	102	100	107	109
Sewer	54	54	55	54	58	59	52	50	51	53
Airport	16	18	17	16	16	17	20	—	—	—
Golf course (nonmajor)	3	3	3	2	2	2	2	2	2	2
Totals	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>	<u>5,165</u>	<u>5,128</u>	<u>5,125</u>	<u>5,111</u>	<u>5,175</u>	<u>5,296</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	2014			2005		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care, Inc.	Health care	13,200	1	16.47%	7,195	1	9.09%
City of Worcester	Government and education	5,296	2	6.61	5,263	3	6.65
Umass Medical School	Education	4,282	3	5.34	6,040	2	7.63
Reliant Medical Group	Health care	2,170	4	2.71	1,826	8	2.31
Saint Vincent Hospital	Health care	2,120	5	2.65	2,097	6	2.65
The Hanover Insurance Group, Inc.	Insurance	1,800	6	2.25	2,305	5	2.91
Seven Hills Foundation, Inc.	Health and human services	1,782	7	2.22	1,609	10	2.03
Saint Gobain Abrasives, Inc.	Abrasives manufacturer	1,695	8	2.11	1,884	7	2.38
Quinsigamond Community College	Education	1,110	9	1.39	N/A	N/A	N/A
College of the Holy Cross	Education	1,104	10	1.38	N/A	N/A	N/A
Fallon Health, Inc.	Health care	N/A	N/A	N/A	4,626	4	5.84
Massachusetts Electric Company	Utility	N/A	N/A	N/A	1,665	9	2.10

Sources: 2014 - Worcester Business Journal  
2005 - Worcester Area Chamber of Commerce

Table 19

## CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function  
Last Ten Fiscal/Calendar Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police (1)</b>										
Total arrests	7,014	7,853	8,581	9,360	8,658	7,584	7,174	6,785	7,385	N/A
Different individuals arrested	5,366	5,916	6,671	7,082	6,584	5,837	5,591	5,204	5,627	N/A
Arrests for selected charges										
Drug-related	1,638	2,829	2,668	2,574	2,582	844 (2)	705	719	850	N/A
Assault and battery	540	679	571	679	704	1,465 (2)	1,409	1,309	1,327	N/A
Disorderly conduct, disturbing peace	1,351	1,071	1,201	1,291	1,210	1,222	1,054	920	916	N/A
Prostitution and related	234	232	178	214	223	133	156	121	181	N/A
Sexual assault, including rape	22	33	29	41	39	38	20	28	28	N/A
Armed robbery	73	57	66	70	43	59	70	47	64	N/A
Murder/manslaughter, attempted murder	46	7	14	6	12	10	15	15	7	N/A
<b>Fire (1)</b>										
Total Incidents	21,778	22,076	22,498	24,735	29,002	27,605	27,782	28,348	28,333	N/A
Selected incidents										
EMS	15,383	14,558	15,654	15,086	18,167	20,285	19,654	20,472	20,307	N/A
Structure fires	417	749	681	663	828	732	728	845	779	N/A
Arson fires	31	29	28	29	37	25	30	43	29	N/A
Vehicle fires	184	184	139	132	120	96	123	102	82	N/A
Good intent	1,149	1,322	1,514	1,452	1,665	1,571	1,621	1,819	2,137	N/A
False alarm	1,705	3,102	2,971	3,134	3,849	2,926	3,177	2,871	3,017	N/A
<b>Highways and streets</b>										
Streets and resurfacing (1)	14	14	15	15	14	11	11	16	21	12
Potholes repaired	7,895	13,403	11,489	13,088	12,030	14,932	12,954	9,392	9,264	12,320
<b>Sanitation</b>										
Refuse collected (tons/day)	104.15	102.78	100.30	91.06	88.65	82.30	81.83	81.71	79.30	79.22
Recyclable collected (tons/day)	37.70	37.20	34.77	36.07	33.97	34.71	36.1	35.42	36.4	37.13
<b>Water</b>										
New connections	454	373	271	239	188	48	95	104	97	98
Water main breaks	76	50	56	55	72	52	74	29	55	42
Average daily consumption (thousands of gallons)	23,595	22,681	22,187	22,960	22,264	21,225	22,099	22,539	22,110	21,700
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	31,364	30,156	33,200	31,700	34,600	31,160	26,550	33,000	25,200	22,300

Source: Various government departments

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

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

N/A - data is not available for calendar year 2014

Table 20

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	11	11	11	11	10	10	10	10	10	10
<b>Education:</b>										
Schools	49	49	45	46	46	45	46	46	46	46
Libraries	3	3	3	3	3	3	3	4	4	4
<b>Public works</b>										
<b>Streets:</b>										
Streets (miles)	414	416	418	420	423	424	425	430	431	431
Sidewalks (miles)	473	478	480	483	487	487	489	488	488	487
Streetlights	12,994	13,238	13,275	13,321	13,321	13,759	13,759	13,759	13,759	13,763
<b>Water:</b>										
Main pipes (miles) (1)	592	592	582	582	584	585	586	585	585	597
Fire hydrants (2)	5,940	5,951	5,658	5,675	5,680	5,726	5,748	5,762	5,770	5,805
Reservoirs	10	10	10	10	10	10	10	10	10	10
Reservoir gallons of capacity (in thousands)	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938
<b>Sewers:</b>										
Sanitary sewers (miles)	390	392	392	393	396	396	397	397	398	398
Combined sewers (miles)	65	65	65	61	61	61	61	61	61	61
Surface sewers (miles)	362	364	364	368	370	371	371	371	372	371
<b>Municipal parking garages:</b>										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard (3)	N/A	N/A	981	981	981	981	981	981	981	981
Union Station (3)	N/A	N/A	N/A	N/A	N/A	500	500	500	500	500
<b>Culture and recreation</b>										
<b>Parks</b>										
Parks and playground acreage	1,316	1,316	1,316	1,316	1,316	1,316	1,328	1,328	1,328	1,328
<b>DCU Center</b>										
<b>Seating capacities</b>										
Center stage	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,800	14,606	14,596
End stage	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,587	14,587
Basketball	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,342	13,342
Hockey with open curtain	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,118	12,118
Hockey with closed curtain (3)	N/A	N/A	6,880	6,880	6,880	7,230	7,230	7,230	7,304	7,304
Ice show	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,198	12,198
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

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