

CITY OF WORCESTER

MASSACHUSETTS



THE HANOVER THEATRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2008

Prepared by:

The Office of the City Auditor
City of Worcester, Massachusetts

James A. DelSignore
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

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INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeSIGNORE
CITY AUDITOR

THOMAS J. CLAWSON
DEPUTY CITY AUDITOR

October 27, 2008

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, 2008 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.

Sullivan, Rogers & Company, LLC, 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, 2008 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. Sullivan, Rogers & Company, LLC has issued an unqualified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2008. 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 audit cognizant responsibilities. 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 175,521, according to a 2007 Federal estimate. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City.

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 roads, sanitation, water, sewer, health and social services, culture, recreation, airport, education, public improvements, planning and zoning, and general administrative services. The City is also financially responsible for the legally separate City of Worcester Contributory 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, 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 reservations of fund balances. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 88 through 96 as part of required supplementary information.

Local economy

For the past several years Worcester has seen its employment base shift from manufacturing to services. In conjunction with that there has been several development projects related to health care and entertainment in the downtown area. The City has a diverse tax base with no concentration in any particular area.

Worcester has ten colleges and universities, most of which have been continually expanding. For example, the University of Massachusetts Medical School is now constructing a \$95 million 258,000 square foot advanced education and clinical practice center and plans to construct a \$449 million science and research facility on its campus. Worcester Polytechnic Institute is now constructing housing and parking for an additional 300 students for \$44 million and is proposing a \$53 million recreation center on its campus. Also, the college of the Holy Cross is now constructing a \$60 million science center.

Other projects include the construction of a new \$302 million Worcester State Hospital and a \$45 million Wal-Mart plaza within the City.

Factors Affecting Financial Condition

Construction has been completed on a \$300 million highway project that links the City's expressway to the Massachusetts Turnpike with a turnpike exit on a widened and improved Route 146 enhancing an already highly inter-connective highway system leading in and out of the City. The Commuter rail was recently expanded from 8 daily trains to Boston to 12 now that an agreement has been worked out with CSX for rail usage and that could be further expanded.

In January 2000, the Massachusetts Port Authority (Massport) took over the operation of the City's airport. This was a five-year agreement in which Massport also assumed a share of any airport-operating deficit. The contract has been extended until December 2008 with Massport picking up 79% of any airport operating deficit, exclusive of debt service. Negotiations to extend the agreement or for Massport to take ownership are ongoing. The carrying value of the airports' net assets could be impaired without the continuing support of Massport. The first commercial airline to fly out of the airport in more than two years is set to begin service to airports near Orlando and Fort Myers, FL in November 2008 and to Myrtle Beach, SC in March 2009.

A few years ago the City's 20-acre downtown mall and office complex was purchased by a developer who plans to demolish the retail part of the complex and replace it with mixed uses including office, retail, entertainment and housing. The new complex is to be called CitySquare. The developer's total investment in the project is estimated to be about \$470 million over a period of 6 to 8 years. The City is to contribute about \$61 million, the state \$25 million and federal government \$3.5 million mainly for the cost of demolition, infrastructure and an 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. It was originally thought that demolition could start in the winter or spring of 2007 but the developer has yet to secure enough tenants to trigger financial support from the City for this phase of the project. In fiscal 2008, the City expended \$237 thousand to oversee activities and has expended \$7.6 million to date.

It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

The City has finished constructing a \$20 million 500-space garage with a first floor retail component next to the Union Station intermodal transportation center and renovation has been completed of the \$31 million, 2,300 seat, downtown performing arts center (pictured on the cover). In addition, construction is about to begin on a \$72 million new North High School.

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 construction of a new North High School along with various other projects. Funding is to come from approximately \$30 million in retroactive school construction aid to the City from the state that will be paid over a 10-year period. Additionally, the City will be 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.

Worcester's total assessed property value has increased steadily since fiscal 1996. This has been because of increases in property values and a long-term single family housing boom, which has now ceased. In fiscal 2008 Worcester's property values rose to another all-time high of \$12.7 billion. This was an increase of 1.3% from the previous year's value, which had increased by 8.3% from the year before. However it has been estimated that assessed values will decline by 5.6% in fiscal 2009.

Awards and Acknowledgements

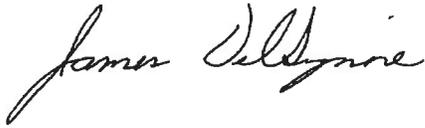
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2007. The Certificate of Achievement is a prestigious national 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 fifteen 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, Sullivan, Rogers & Company, LLC, 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 cursive script that reads "James A. DelSignore". The signature is written in black ink and is positioned above the printed name.

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2008

Council – Manager Form of Government

CITY COUNCIL

Konstantina B. Lukes, Mayor

Councilors-at-Large

Michael J. Germain
Joseph M. Petty
Gary Rosen
Frederick C. Rushton
Kathleen M. Toomey

District Councilors

Paul P. Clancy, Jr.
William J. Eddy
Barbara G. Haller
Philip P. Palmieri
Joffery A. Smith

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

James A. DelSignore, City Auditor
Thomas J. Clawson, Deputy City Auditor

Michael T. Hennessy
Kim Laino
Ruth Sarafinas

Chief Accountant
Systems Accountant
Administrative Assistant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

PURCHASING AGENT

John C. Orell

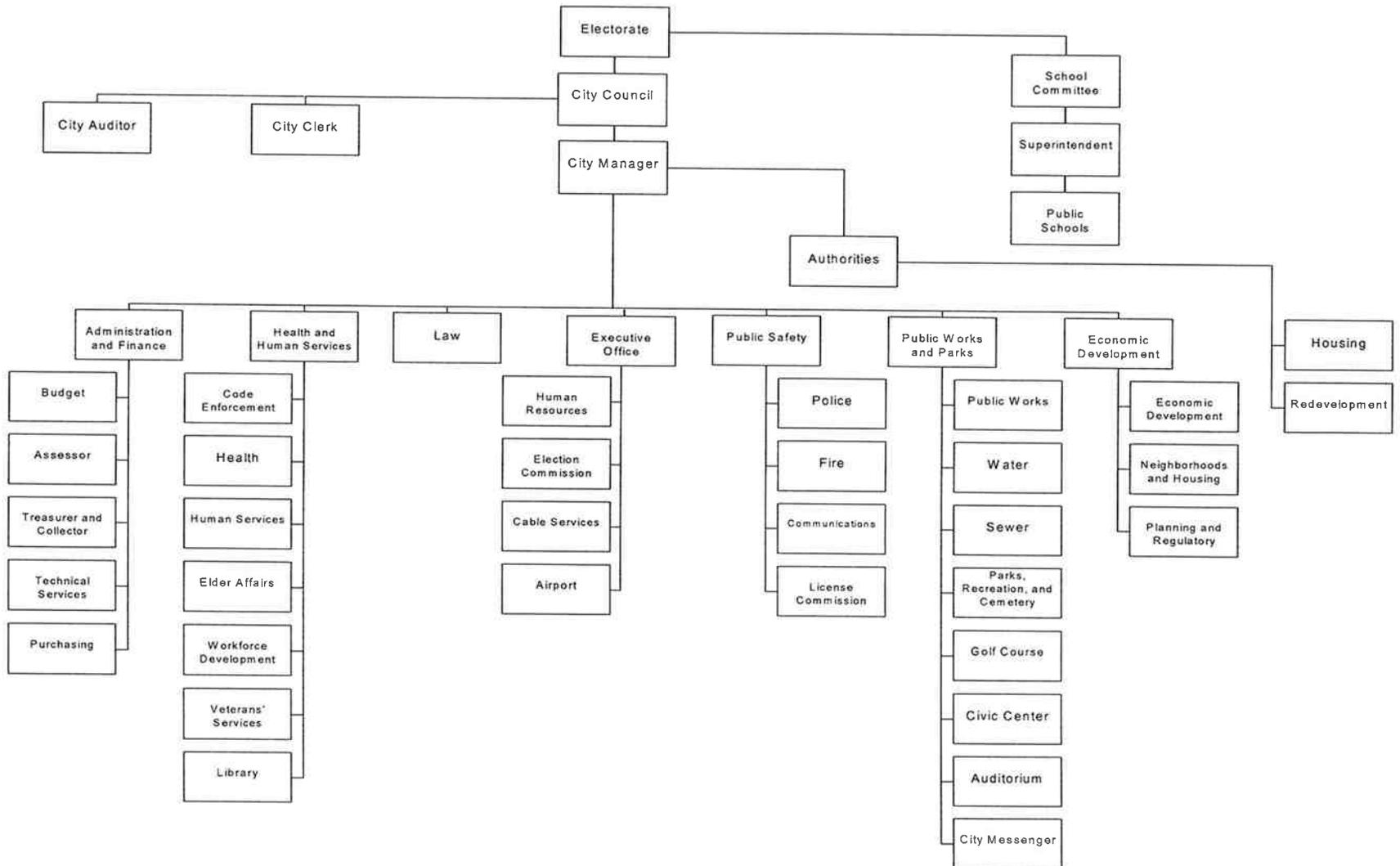
TREASURER & COLLECTOR

Michael D. Conrad

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

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, 2008 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2007), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

We conducted our audit 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 of material misstatement. The financial statements of the Upper Blackstone Water Pollution Abatement District were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008 (except for the Worcester Contributory Retirement System, which is as of December 31, 2007) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and general fund schedule of revenues, expenditures and changes in fund balance – budget and actual - budgetary basis and certain pension information (located on pages 11 through 23 and pages 88 through 99, respectively), are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 tables and graphs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



October 27, 2008

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(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, 2008 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 assets) at the close of fiscal 2008 by \$211,998.
- The City's total net assets decreased by \$18,942 during the year.
- "Free Cash", certified by the State's Department of Revenue as of July 1, 2008 was \$2,799. This amount is unrestricted in the general fund and available for appropriation in fiscal 2009.
- At the end of fiscal 2008, unreserved fund balance for the general fund was \$11,906 or 2.2% of total general fund revenues.
- The City's total debt increased by \$38,464 or 6.3% during fiscal 2008.

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 assets presents information of all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal 2008. All changes in net assets 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.).

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, airport and golf course (nonmajor) operations are included here.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

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

The government-wide financial statements can be found on pages 25 through 27 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 government 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 fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

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

The City maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the CitySquare fund and the stabilization fund, each of which are considered major funds. Data from the 29 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 28 through 31.

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, airport, and golf course operations, all but the golf course are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insured health plan. Because this service benefits predominantly governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

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

The proprietary fund financial statements can be found on pages 32 through 34.

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 assets and a statement of changes in fiduciary net assets. 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 fund financial statements can be found on pages 35 and 36.

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 37 through 87.

Other 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 information.

Other required supplementary information can be found on pages 88 through 99.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$211,998 at the close of the most recent fiscal year.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

	Net assets					
	Governmental		Business-type			
	Governmental Activities		Business-type Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 283,040	282,953	32,385	29,588	315,425	312,541
Capital assets	470,711	447,952	231,493	229,010	702,204	676,962
Total assets	<u>753,751</u>	<u>730,905</u>	<u>263,878</u>	<u>258,598</u>	<u>1,017,629</u>	<u>989,503</u>
Long-term liabilities	592,512	530,626	137,583	114,966	730,095	645,592
Other liabilities	71,818	93,269	3,717	19,702	75,535	112,971
Total liabilities	<u>664,330</u>	<u>623,895</u>	<u>141,300</u>	<u>134,668</u>	<u>805,630</u>	<u>758,563</u>
Net assets:						
Invested in capital assets, net of related debt	297,706	289,306	110,861	99,181	408,567	388,487
Restricted	65,072	45,711	-	-	65,072	45,711
Unrestricted	<u>(273,357)</u>	<u>(228,007)</u>	<u>11,716</u>	<u>24,749</u>	<u>(261,641)</u>	<u>(203,258)</u>
Total net assets	\$ <u>89,421</u>	<u>107,010</u>	<u>122,577</u>	<u>123,930</u>	<u>211,998</u>	<u>230,940</u>

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress), less any related debt to acquire those assets that is still outstanding. 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 assets represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net assets shows a balance of (\$261,641). However, this balance includes outstanding pension obligation bonds of \$180,219 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 \$26,294 and \$3,253, respectively, at year's end. Additionally, the City has a note payable of \$5,800 for improvement to neighborhood assets it does not own and bonds of \$484 for the CitySquare project and \$500 for the Blackstone Valley Visitors Center, which will not be City owned. There was also \$16,627 of unspent capital debt at the end of the year. Absent the fore mentioned debt, there is (\$28,464) of unrestricted net assets.

At the end of fiscal 2008, the City is able to report positive balances in two categories of net assets for business-type activities and all but unrestricted net assets in the governmental activities.

The City's governmental activities restricted net assets increased by \$19,361 because balances restricted for renewal and replacement increased by \$23,333, which was because temporary debt outstanding of \$27,122 at year end was financed with permanent debt before the reporting period. The other categories of restricted all saw decreases. State and federal grants were drawn down by a net \$3,377 and permanent fund balances were decreased by \$595 mainly because of investment losses of \$476.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

The City's total net assets decreased by \$18,942, or 8.2%.

	Governmental activities		Changes in net assets Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 30,381	29,710	53,108	52,225	83,489	81,935
Operating grants and contributions	326,824	315,692	1,174	593	327,998	316,285
Capital grants and contributions	28,979	65,551	4,226	2,255	33,205	67,806
General revenues:						
Property taxes	188,930	179,130	—	—	188,930	179,130
Motor vehicle excise taxes	12,932	11,893	—	—	12,932	11,893
Intergovernmental	54,561	53,813	—	—	54,561	53,813
Other	8,436	10,060	—	—	8,436	10,060
Total revenues	<u>651,043</u>	<u>665,849</u>	<u>58,508</u>	<u>55,073</u>	<u>709,551</u>	<u>720,922</u>
Expenses:						
General government	22,268	19,583	—	—	22,268	19,583
Public safety	132,411	115,321	—	—	132,411	115,321
Health and human services	23,366	19,873	—	—	23,366	19,873
Education	406,208	366,311	—	—	406,208	366,311
Libraries	8,347	7,735	—	—	8,347	7,735
Public works	34,727	26,954	—	—	34,727	26,954
Culture and recreation	11,548	10,886	—	—	11,548	10,886
Community development	4,764	3,873	—	—	4,764	3,873
Interest on long-term debt	25,366	25,283	—	—	25,366	25,283
Water	—	—	25,213	24,727	25,213	24,727
Sewer	—	—	29,258	28,309	29,258	28,309
Airport	—	—	4,703	4,360	4,703	4,360
Golf course	—	—	1,227	1,180	1,227	1,180
Total expenses	<u>669,005</u>	<u>595,819</u>	<u>60,401</u>	<u>58,576</u>	<u>729,406</u>	<u>654,395</u>
Change in net assets before transfers, contributions and gain on sale of capital assets	(17,962)	70,030	(1,893)	(3,503)	(19,855)	66,527
Transfers	(540)	(2,291)	540	2,291	—	—
Gain on sale of capital assets	622	—	—	—	622	—
Contributions	291	159	—	—	291	159
Change in net assets	(17,589)	67,898	(1,353)	(1,212)	(18,942)	66,686
Net assets – beginning	<u>107,010</u>	<u>39,112</u>	<u>123,930</u>	<u>125,142</u>	<u>230,940</u>	<u>164,254</u>
Net assets – ending	<u>\$ 89,421</u>	<u>107,010</u>	<u>122,577</u>	<u>123,930</u>	<u>211,998</u>	<u>230,940</u>

Governmental activities – Governmental activities decreased by the City's net assets by \$17,589 thereby accounting for 92.98% of the total decrease. The key elements of this decrease are as follows:

Total revenues were \$651,043, which was a \$14,806 or 2.2% decrease from the previous fiscal year. Property tax revenue increased by \$9,800 or 5.5%, primarily because of an increase in taxes levied along with collections of back taxes. Operating grants and contributions increased by \$11,132 or 3.5% due primarily to an increase of \$6,922 in grants for schools, \$1,295 for health and human services and \$1,446 for redevelopment. Capital grants and contributions decreased by \$36,572 or 55.8%. The prior year had seen large increases in capital grants

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

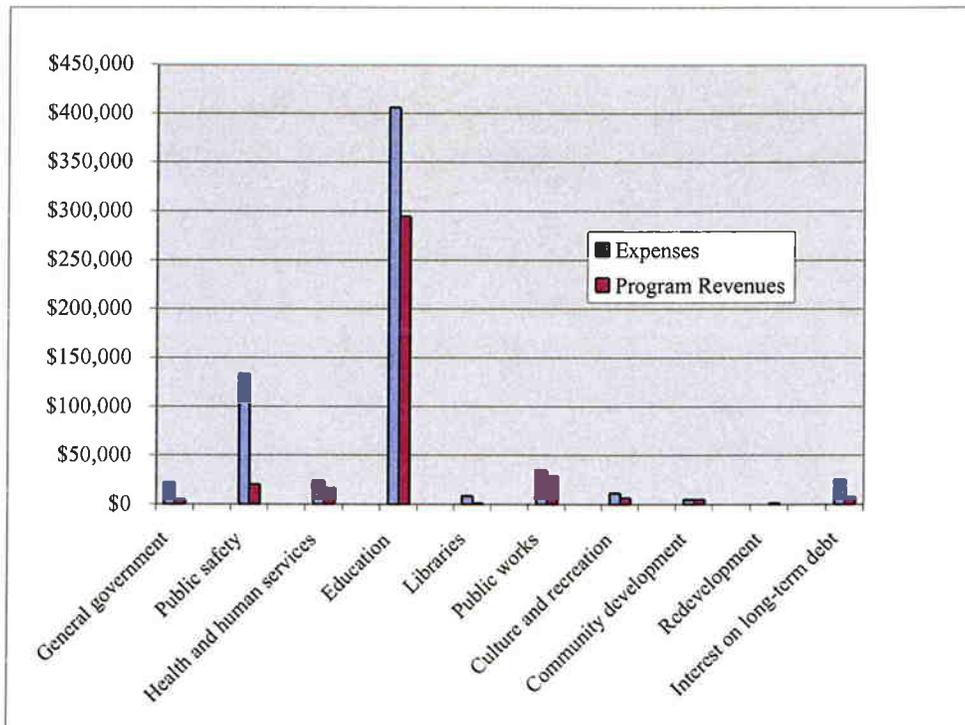
June 30, 2008

(In thousands of dollars)

because of \$24,006 in retroactive school construction grants and a \$25,000 fronting grant from the state for the construction of CitySquare. In fiscal 2008 capital grant amounts returned to levels seen in years prior to fiscal 2007.

Total expenses were \$669,005, which was a \$73,186 or 12.3% increase from the previous fiscal year. Educational expenses increased by \$39,897 or 10.9% because of increased salary and fringe benefit costs and the first time recognition of \$26,271 in Other Post-Employment Benefits ("OPEB") expense for the unpaid liability. Public safety expenses increased by \$17,090 or 14.8% because of increased salary and fringe costs as well as the first time recognition of \$11,932 in OPEB expense. Public works expenses increased by \$7,773 or 28.8% because of salary and fringe increases, an \$2,846 increase in snow removal expenses and \$1,384 in OPEB expenses.

FY 2008 Expenses and Program Revenues— Governmental Activities



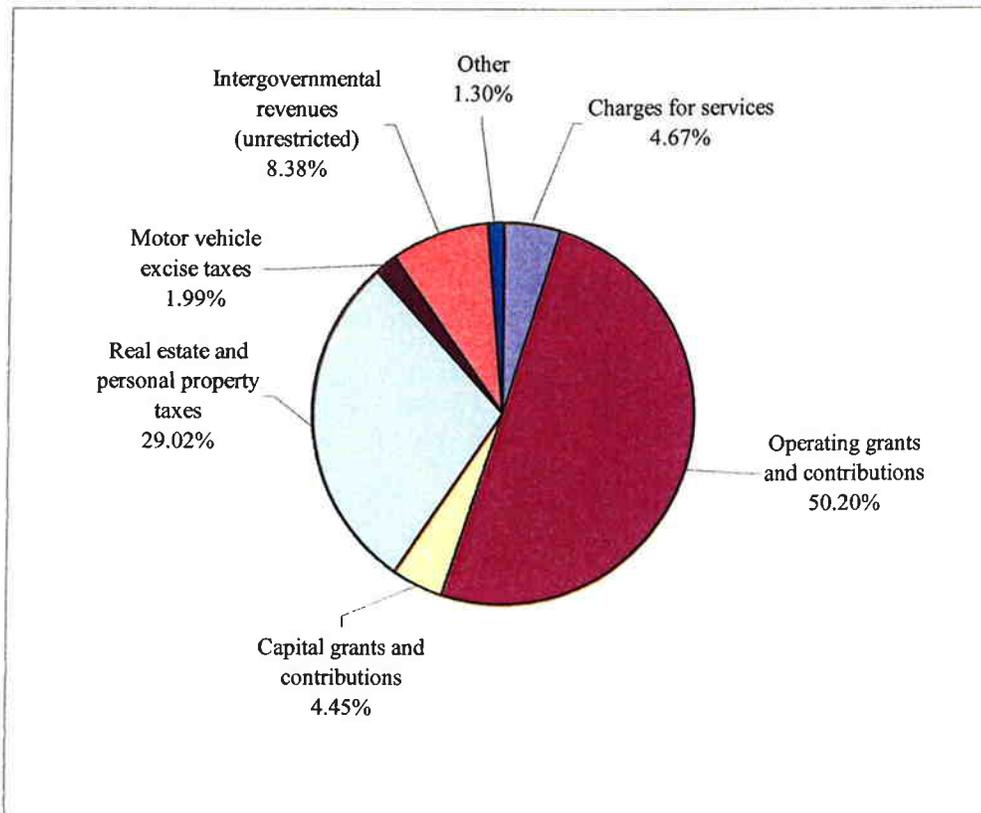
CITY OF WORCESTER, MASSACHUSETTS

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FY 2008 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net assets by \$1,353. Factors contributing to these results are as follows:

- The water fund had operating income of \$2,619 and had an increase in net assets of \$183. This follows the previous year's \$77 decrease in net assets with an operating income of \$3,393.
- The sewer fund had an operating loss of \$338 compared with a loss of \$760 in the previous year. Net assets decreased by \$795, which follows the previous year's \$211 decrease.
- The airport fund had a decrease in net assets of \$712, which follows a decrease of \$919 in net assets the previous year. The net operating loss of \$3,698 was partially offset by subsidies from the City and Massport.
- The golf course fund (nonmajor) had a decrease of net assets of \$29, which followed a decrease of \$4 in net assets the previous year.

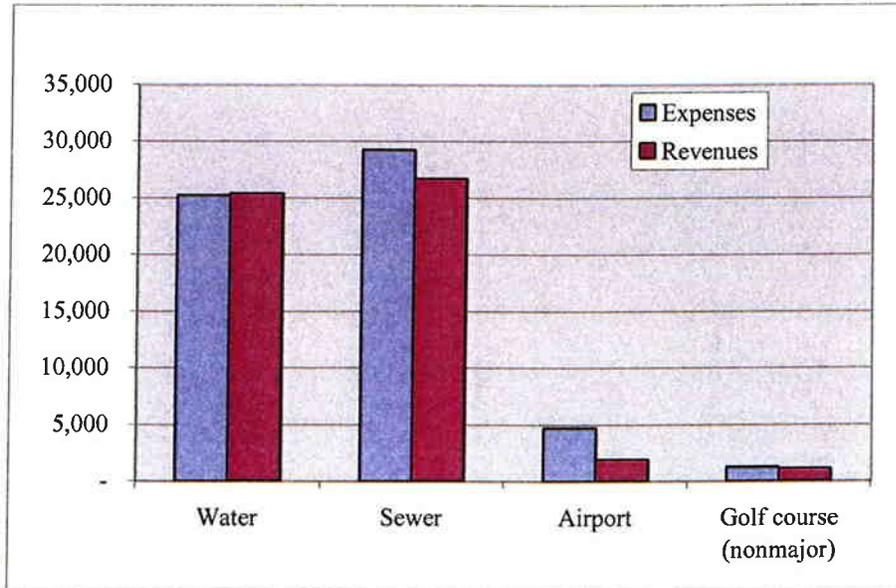
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

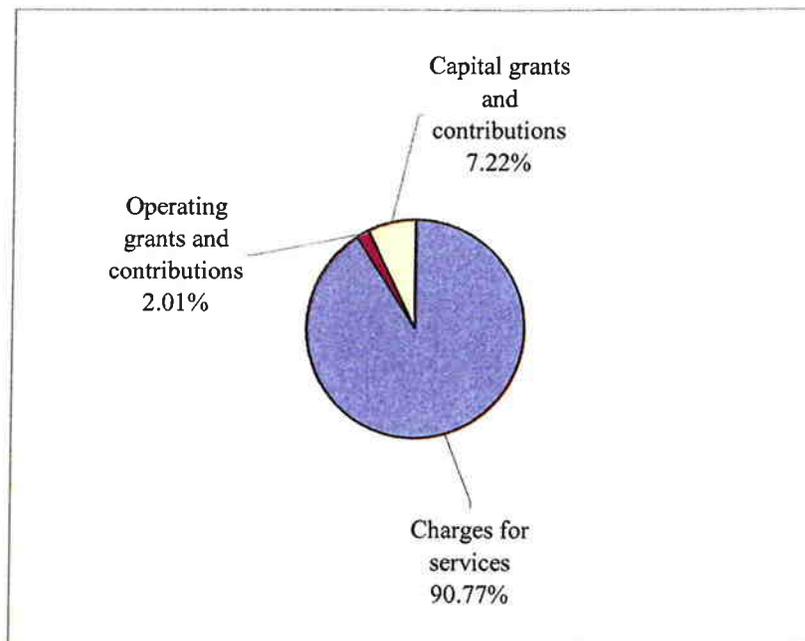
June 30, 2008

(In thousands of dollars)

FY 2008 Expenses and Program Revenues – Business-type Activities



FY 2008 Revenues by Source – Business-type Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

Financial Analysis of the City's Funds

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

Governmental funds – The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance 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 2008, the City's governmental funds reported combined ending fund balances of \$90,416 an increase of \$23,510 over fiscal 2007. Of this balance \$59,998 is available for spending at the City's discretion (unreserved fund balance). The remaining \$30,418 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for nonexpendable permanent funds \$12,961; and 2) for state and federal grants \$17,457.

The general fund is the chief operating fund of the City. At the end of fiscal 2008 unreserved fund balance of the general fund was \$11,906 or 2.2% of total general fund revenues. During fiscal 2008 the City's general fund balance increased by \$1,881. Total revenues exceeded expenditures by \$8,031, while transfers out exceeded transfers in by \$6,352. The general fund also received a premium on loans of \$202. Property tax collections exceeded budget estimates by \$1,998, while plan changes helped to reduce health insurance costs to \$2,725 below the original budget, which in turn helped to mitigate the impact of snow and ice removal costs that exceeded the original budget by \$3,003.

The CitySquare project became a major fund in fiscal 2008 as it became more than 10% of the total assets of governmental funds. CitySquare had a fund balance of \$20,109 at the end of fiscal 2008, a \$1,184 increase from the previous year. During the year there was interest income of \$1,421 and \$237 was spent on project management.

The stabilization fund had a fund balance of \$3,228 at the end of fiscal 2008, a \$586 increase from the previous year. During the year, \$11,192 was transferred in from the general fund and \$564 was received in retroactive school construction reimbursements. Debt service expenditures were \$11,176 and investment earnings were \$6.

Other governmental funds had a fund balance of \$55,174 at the end of fiscal 2008, a \$19,860 increase from the previous year. The capital projects funds fund balance was increased by \$3,224 due primarily to the refinancing of temporary debt of \$27,122 outstanding as of June 30 before the reporting date. CitySquare, which had a beginning balance of \$18,926 is now considered a major fund and is no longer included with capital projects funds. In the previous year the refinancing of temporary debt took place after the reporting date. The special revenue fund decreased by \$1,695 as an increase of \$3,013 in receipts reserved for appropriation accounts were not enough to overcome a decrease in the balances of state and federal grant accounts. Permanent funds decreased by \$595 as investment losses and expenditures exceeded contributions.

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.

CITY OF WORCESTER, MASSACHUSETTS

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(In thousands of dollars)

Net assets of the enterprise funds at the end of fiscal 2008 totaled \$122,577. This was a \$1,353 decrease from the previous year. The water fund had an increase of \$183, while the other three had decreases of (\$795) in the sewer fund, (\$712) in the airport fund and (\$29) the golf course fund (nonmajor). Unrestricted net assets consisted of \$4,284 in the water fund, \$7,537 in the sewer fund, (\$84) in the airport fund and (\$20) in the golf course fund (nonmajor). Other factors concerning the finances of these four 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 \$1,287 lower than the original amount. The property taxes estimate decreased by \$1,947 as transfers of surplus funds from the DCU Center naming rights account and the health insurance trust allowed the tax levy estimate to be reduced. This decrease was partially offset by an increased estimate of \$171 from state school aid, a \$429 increase in school construction reimbursements and a \$60 increase in charges for services.

The final general fund expenditure budget was \$1,801 higher than the original. The largest budget variance was in the snow and ice removal account. Although the budget for this account has been increased, over the last few years, to \$2,048 from a decade's long \$1,171, a series of small but expensive and a few larger storms cost the City \$5,051 during the year. The final snow and ice budget was increased to \$3,977 by transfers but a deficit of \$1,074 was carried over to be funded in the fiscal 2009 budget. The public safety budget was increased by \$1,684 from the original to fund police salary and overtime and to fund fire overtime. Additional funding was also required to meet energy costs in public safety departments. Those increases were partially funded by a \$2,726 transfer from the municipal health insurance budget as savings resulting from plan changes allowed the City to implement a funding holiday into the health insurance trust of 5 weeks for the City, its employees and retirees. The \$630 originally budgeted in the contingency account was transferred to various accounts to fund salary increases. The majority of budget deficits were covered by intra-fund transfers. Inter-fund transfers, the details of which are listed on page 82 of the notes to the basic financial statements, were routine with the exception of the transfers from the insurance trust and DCU accounts.

Revenues were \$3,500 more than budgeted. The largest positive variance was \$1,998 in the property tax account. Collections of taxes remained steady as most taxpayers were able to pay and banks stepped in and paid for properties on which they foreclosed. Additionally, the City implemented a collector's deeds program where investors purchase tax liens by paying taxes due in exchange for the right to collect interest on the delinquent taxes and possibly take possession of the properties. The treasurer estimated that an additional \$1,300 in tax revenue was collected by virtue of this program. Motor vehicle excise revenue was \$372 higher than budgeted even though new car sales declined as newly hired collectors cut into delinquent accounts and the Registry of Motor Vehicles corrected past omissions of bills that should have been issued. Building permit revenue was \$459 higher than anticipated despite a slowing of housing starts as many of the City's institutions have continued to expand. State local aid was \$800 over the budget as aid for the police educational incentive and school aid was higher than anticipated and the school related Federal Medicare reimbursement was \$857 higher than budgeted. On the negative side, investment earnings were \$609 below the budget as interest rates decreased considerably during the year. Revenue from trash bag sales was \$383 below the budget but is expected to rise in the future as more resident buy at rates that were increased on July 1, 2007 when their inventory is exhausted.

CITY OF WORCESTER, MASSACHUSETTS

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June 30, 2008

(In thousands of dollars)

As for expenditures, as was previously mentioned, the final snow and ice budget was exceeded by \$1,074. This is permitted under Massachusetts General Law as long as the snow budget equals or exceeds the previous year's budget. For all other categories, the final budget equaled expenditures except for intergovernmental charges, which were underestimated by \$246. Budgetary fund balance increased by \$2,327 to \$10,597.

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, 2008 amounted to \$702,204. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$25,241 or 3.7% (a 3.3% increase for governmental activities and a 0.4% increase for business-type activities).

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

- Streets and sidewalks were improved with costs amounting to \$10,448.
- The CitySquare project had expenditures of \$237 during the year as the project has seen no construction progress as the developer waits for sufficient tenant commitments. Total project expenditures have been \$7,538.
- The Union Station Garage project had expenditures of \$15,531 during the year and as the project neared its completion at the end of the fiscal year total expenditures on the project were \$17,588.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$11,184. Additionally, business-type entities received \$2,712 in capital donations from owners of subdivisions.

	Capital assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 16,691	16,691	4,642	3,642	21,333	20,333
Buildings	309,048	318,441	40,579	41,364	349,627	359,805
Improvements, other than buildings	15,120	13,004	—	—	15,120	13,004
Equipment and other	2,939	3,727	383	265	3,322	3,992
Rolling equipment	6,002	5,959	2,696	2,709	8,698	8,668
Infrastructure	79,827	73,355	181,462	179,711	261,289	253,066
Construction in progress	41,084	16,775	1,731	1,320	42,815	18,095
Total	\$ 470,711	447,952	231,493	229,011	702,204	676,963

Additional information on the City's capital assets can be found in note 8 on pages 66 through 70 of this report.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$647,977, an increase of \$38,464 or 6.3% from the prior fiscal year. With the exception of the notes payable, the full faith and credit of the City back this entire amount.

	Long-term debt					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 507,329	490,036	133,942	112,728	641,271	602,764
Notes payable	5,800	5,800	906	949	6,706	6,749
Total	\$ 513,129	495,836	134,848	113,677	647,977	609,513

On November 1, 2007, the City issued \$39,097 of general obligation bonds. The proceeds consisted of \$22,945 for governmental activities and \$16,152 for business-type activities. Then on September 15, 2008 the City issued an additional \$41,290 of general obligation bonds. The proceeds consisted of \$27,122 for governmental activities and \$14,168 for business-type activities. The September issuance was all used to refund temporary debt that was outstanding as of June 30, 2008.

In relation to the above general obligation bond issues, the City received credit ratings of A3 from Moody's Investors Service, A- from Standard and Poors and A from Fitch Ratings, which, in all cases, were unchanged from the previous ratings.

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 note 11 beginning on page 72 of this report.

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 5.7% at June 30, 2008, compared with a 6.3% rate that existed a year earlier. This compares with June 30, 2008 unemployment rates of 5.2% in Massachusetts and 5.5% nationally.

Worcester's downtown office space of 4.75 million square feet was 88.4% occupied, according to a recent study done by the Worcester Research Bureau. This was an increase from the 87.3% that was occupied in the previous year based on 5.00 million square feet. During fiscal 2008, single-family housing starts slowed from their multi-year surge but property values have increased to their highest-ever level increasing for the eleventh consecutive year to \$12,727 in fiscal 2008 compared with \$12,563 in fiscal 2007.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2008

(In thousands of dollars)

The City finished fiscal 2008 with "Free Cash" of \$2,799 as certified by the Commonwealth's Department of Revenue. This amount is available to fund the fiscal 2009 budget.

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.

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Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2008

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	\$ 124,437,666	1,979,002	126,416,668	46,198	5,854,271
Restricted cash and cash equivalents	16,627,259	14,015,375	30,642,634	—	—
Restricted investments	12,016,213	—	12,016,213	—	4,905,344
Receivables (net):					
Property taxes	4,151,012	—	4,151,012	—	—
Tax liens	4,221,273	—	4,221,273	—	—
Motor vehicle excise taxes	2,835,465	—	2,835,465	—	—
Charges for services	—	15,354,109	15,354,109	—	384,688
Special assessments	976,540	304,218	1,280,758	—	—
Departmental	2,978,391	—	2,978,391	—	—
Intergovernmental	113,514,169	1,316,943	114,831,112	15,003	7,462,448
Internal balances	585,159	(585,159)	—	—	—
Other	696,736	—	696,736	—	1,144,615
Other assets	—	—	—	30,909	—
Capital assets, not being depreciated	57,775,378	6,373,055	64,148,433	2,169,619	58,492,829
Capital assets, net of accumulated depreciation	412,935,724	225,120,076	638,055,800	31,783,356	91,406,139
Total assets	753,750,985	263,877,619	1,017,628,604	34,045,085	169,650,334
Liabilities:					
Accounts payable	39,907,458	1,555,261	41,462,719	396,169	7,451,977
Accrued liabilities	15,697,575	1,931,169	17,628,744	297,894	1,845,102
Retainage payable	1,098,337	231,118	1,329,455	—	—
Other liabilities	6,163,861	—	6,163,861	—	400,063
Temporary notes payable	8,950,000	—	8,950,000	—	14,521,918
Noncurrent liabilities:					
Due within one year	46,184,243	10,254,500	56,438,743	—	3,553,136
Due in more than one year	546,328,124	127,328,450	673,656,574	4,790,913	119,541,376
Total liabilities	664,329,598	141,300,498	805,630,096	5,484,976	147,313,572
Net assets:					
Invested in capital assets, net of related debt	297,706,206	110,860,965	408,567,171	33,952,975	14,934,626
Restricted for:					
Nonexpendable permanent funds	12,960,975	—	12,960,975	—	—
Expendable permanent funds	124,903	—	124,903	—	—
Renewal and replacement	34,529,596	—	34,529,596	—	—
State and federal grants	17,456,688	—	17,456,688	—	—
Unrestricted	(273,356,981)	11,716,156	(261,640,825)	(5,392,866)	7,402,136
Total net assets	\$ 89,421,387	122,577,121	211,998,508	28,560,109	22,336,762

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2008

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	\$ 22,268,214	2,643,697	2,628,285	—	(16,996,232)
Public safety	132,411,092	13,580,357	6,443,198	1,999,999	(110,387,538)
Health and human services	23,366,080	881,537	15,370,034	—	(7,114,509)
Education	406,208,532	2,097,908	284,557,512	7,714,045	(111,839,067)
Libraries	8,346,818	57,379	992,866	—	(7,296,573)
Public works	34,727,075	9,159,908	516,765	19,265,225	(5,785,177)
Culture and recreation	11,547,805	1,938,314	2,489,395	—	(7,120,096)
Community development	4,763,678	21,924	4,915,895	—	174,141
Redevelopment	—	—	1,446,000	—	1,446,000
Interest on debt	25,365,539	—	7,463,775	—	(17,901,764)
Total governmental activities	669,004,833	30,381,024	326,823,725	28,979,269	(282,820,815)
Business-type activities:					
Water	25,213,132	24,251,214	—	1,907,427	945,509
Sewer	29,258,322	26,928,132	—	1,549,908	(780,282)
Airport	4,702,389	801,233	1,174,504	768,785	(1,957,867)
Golf course (nonmajor)	1,226,909	1,127,130	—	—	(99,779)
Total business-type activities	60,400,752	53,107,709	1,174,504	4,226,120	(1,892,419)
Total primary government	\$ 729,405,585	83,488,733	327,998,229	33,205,389	(284,713,234)
Component units:					
Worcester Redevelopment Authority					
Upper Blackstone Water Pollution Abatement District	\$ 3,417,537	255,119	—	—	(3,162,418)
	15,160,057	15,382,988	—	1,071,972	1,294,903
Total component units	\$ 18,577,594	15,638,107	—	1,071,972	(1,867,515)

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Changes in net assets:					
Net (expense) revenue (from previous page)	\$ (282,820,815)	(1,892,419)	(284,713,234)	(3,162,418)	1,294,903
General revenues:					
Property taxes	188,930,304	—	188,930,304	—	—
Motor vehicle excise taxes	12,931,732	—	12,931,732	—	—
Other taxes and in-lieu payments	2,279,570	—	2,279,570	—	—
Penalties and interest on taxes	2,413,943	—	2,413,943	—	—
Intergovernmental revenues (unrestricted)	54,560,846	—	54,560,846	—	—
Investment earnings	2,765,896	—	2,765,896	453	219,429
Miscellaneous	976,721	—	976,721	—	—
Transfers (net)	(539,517)	539,517	—	—	—
Total general revenues and transfers (net)	264,319,495	539,517	264,859,012	453	219,429
Gain on sale of capital assets	621,835	—	621,835	—	—
Contributions to permanent funds	290,924	—	290,924	—	—
Change in net assets	(17,588,561)	(1,352,902)	(18,941,463)	(3,161,965)	1,514,332
Net assets - beginning	107,009,948	123,930,023	230,939,971	31,722,074	20,822,430
Net assets - ending	\$ 89,421,387	122,577,121	211,998,508	28,560,109	22,336,762

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet
Governmental Funds
June 30, 2008

	General	CitySquare	Stabilization	Other governmental funds	Total governmental funds
Assets					
Cash and cash equivalents	\$ 45,769,879	27,609,461	3,227,525	35,690,744	112,297,609
Restricted cash and cash equivalents	—	—	—	16,627,259	16,627,259
Restricted investments	—	—	—	12,016,213	12,016,213
Receivables (net of allowance for uncollectibles of \$7,504,068)	14,692,627	—	—	470,054	15,162,681
Due from airport fund	585,159	—	—	—	585,159
Due from other governments	112,650,745	—	—	863,424	113,514,169
Total assets	\$ 173,698,410	27,609,461	3,227,525	65,667,694	270,203,090
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 34,438,657	—	—	4,830,474	39,269,131
Retainage payable	—	—	—	1,098,337	1,098,337
Due to internal service fund	339,677	—	—	—	339,677
Temporary loans	—	7,500,000	—	1,450,000	8,950,000
Deferred revenue	123,495,759	—	—	470,054	123,965,813
Other liabilities	3,518,751	—	—	2,645,110	6,163,861
Total liabilities	161,792,844	7,500,000	—	10,493,975	179,786,819
Fund balances:					
Reserved for:					
Nonexpendable permanent funds	—	—	—	12,960,975	12,960,975
State and federal grants	—	—	—	17,456,688	17,456,688
Unreserved, reported in:					
General fund	11,905,566	—	—	—	11,905,566
Special revenue funds	—	—	3,227,525	10,211,018	13,438,543
Capital projects funds	—	20,109,461	—	14,420,135	34,529,596
Expendable permanent funds	—	—	—	124,903	124,903
Total fund balances	11,905,566	20,109,461	3,227,525	55,173,719	90,416,271
Total liabilities and fund balances	\$ 173,698,410	27,609,461	3,227,525	65,667,694	270,203,090

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 Assets
 For the Fiscal Year Ended June 30, 2008

Total governmental fund balances (Exhibit 3)	\$ 90,416,271
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	470,711,102
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	123,965,813
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 assets.	7,825,989
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(10,985,421)
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	(516,434,577)
OPEB	(43,214,880)
Judgments and claims	(15,528,760)
Compensated absences	(13,325,027)
Landfill closure costs	(3,111,084)
Public School early retirement costs	<u>(898,039)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 89,421,387</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year ended June 30, 2008

	<u>General fund</u>	<u>CitySquare</u>	<u>Stabilization</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Property taxes	\$ 189,418,563	—	—	—	189,418,563
Motor vehicle excise taxes	12,677,158	—	—	—	12,677,158
Other taxes and in-lieu payments	2,556,161	—	—	—	2,556,161
Penalties and interest on taxes	2,413,943	—	—	—	2,413,943
Licenses and permits	4,725,903	—	—	—	4,725,903
Intergovernmental	311,474,981	—	563,770	94,844,724	406,883,475
Charges for services	6,231,913	—	—	14,875,080	21,106,993
Fines and forfeitures	3,307,908	—	—	—	3,307,908
Investment earnings	1,806,011	1,420,523	6,152	(466,790)	2,765,896
Donations	—	—	—	4,950,680	4,950,680
Contributions to permanent funds	—	—	—	290,924	290,924
Miscellaneous	773,100	—	—	240,315	1,013,415
Total revenues	535,385,641	1,420,523	569,922	114,734,933	652,111,019
Expenditures:					
Current:					
General government	13,784,766	—	—	4,172,577	17,957,343
Public safety	78,576,146	—	—	15,365,636	93,941,782
Health and human services	3,776,314	—	—	15,872,477	19,648,791
Education	197,240,810	—	—	64,628,710	261,869,520
Libraries	4,533,220	—	—	1,092,608	5,625,828
Public works	20,120,850	236,707	—	29,005,983	49,363,540
Culture and recreation	3,866,983	—	—	5,273,174	9,140,157
Fringe benefits	136,213,129	—	—	—	136,213,129
Community development	—	—	—	4,763,678	4,763,678
State and regional charges	23,913,921	—	—	—	23,913,921
Debt service:					
Principal	25,278,519	—	6,348,096	1,147,031	32,773,646
Interest	20,049,770	—	4,828,205	950,935	25,828,910
Total expenditures	527,354,428	236,707	11,176,301	142,272,809	681,040,245
Excess (deficiency) of revenues over expenditures	8,031,213	1,183,816	(10,606,379)	(27,537,876)	(28,929,226)
Other financing sources (uses):					
Transfers in	6,260,065	—	11,191,180	3,844,449	21,295,694
Transfers out	(12,612,759)	—	—	(8,099,965)	(20,712,724)
Premium on issuance of bonds	202,430	—	670	220,087	423,187
Issuance of bonds	—	—	—	50,067,000	50,067,000
Sale of capital assets	—	—	—	1,365,914	1,365,914
Total other financing sources (uses)	(6,150,264)	—	11,191,850	47,397,485	52,439,071
Net change in fund balances	1,880,949	1,183,816	585,471	19,859,609	23,509,845
Fund balances -- beginning (as restated)	10,024,617	18,925,645	2,642,054	35,314,110	66,906,426
Fund balances -- ending	\$ 11,905,566	20,109,461	3,227,525	55,173,719	90,416,271

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, 2008

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 23,509,845
<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	43,871,318
Capital donations	2,169,866
Depreciation	(22,537,625)
<p>In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. This amount represents the net book value of the capital assets sold.</p>	
	(744,079)
<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 revenue.</p>	
	(2,946,931)
<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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period:</p>	
Bond proceeds	(50,067,000)
Bond maturities	32,773,646
Amortization of bond premiums	157,268
<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>	
	(117,084)
<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>	
	1,092,196
<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>	
OPEB	(43,214,880)
Judgments and claims	(637,080)
Compensating absences	(1,427,277)
Landfill closure costs	106,592
Public School early retirement costs	422,664
	(43,749,981)
Change in net assets of governmental activities (Exhibit 2)	\$ (17,588,561)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-type activities				Totals	Governmental
				Totals		activities
	Water	Major Sewer	Airport			Nonmajor Golf Course
Assets:						
Current assets:						
Cash and cash equivalents	\$ 1,350,642	569,791	—	58,569	1,979,002	12,140,057
Restricted cash and cash equivalents	6,399,742	7,493,401	—	122,232	14,015,375	—
Receivables (net)	6,678,212	8,953,076	1,343,982	—	16,975,270	696,736
Due from general fund	—	—	—	—	—	339,677
Total current assets	<u>14,428,596</u>	<u>17,016,268</u>	<u>1,343,982</u>	<u>180,801</u>	<u>32,969,647</u>	<u>13,176,470</u>
Noncurrent assets:						
Capital assets:						
Land	4,419,000	116,500	106,400	—	4,641,900	—
Buildings	39,819,126	3,548,784	17,376,587	213,737	60,958,234	—
Infrastructure	126,141,681	141,017,951	23,462,115	815,555	291,437,302	—
Construction in progress	284,174	449,277	796,701	201,003	1,731,155	—
Equipment and other	151,826	267,525	432,610	—	851,961	—
Rolling equipment	2,004,849	3,727,847	770,377	—	6,503,073	—
Less accumulated depreciation	(55,806,746)	(59,434,512)	(18,910,818)	(478,418)	(134,630,494)	—
Capital assets, net	<u>117,013,910</u>	<u>89,693,372</u>	<u>24,033,972</u>	<u>751,877</u>	<u>231,493,131</u>	<u>—</u>
Total assets	<u>131,442,506</u>	<u>106,709,640</u>	<u>25,377,954</u>	<u>932,678</u>	<u>264,462,778</u>	<u>13,176,470</u>
Liabilities:						
Current liabilities:						
Accounts payable	668,359	449,155	410,090	27,657	1,555,261	638,327
Due to general fund	—	—	585,159	—	585,159	—
Accrued liabilities	1,216,725	651,052	51,742	11,650	1,931,169	4,712,154
Retainage payable	108,814	119,891	—	2,413	231,118	—
Judgments and claims	155,386	27,355	—	—	182,741	—
Compensated absences	393,850	178,254	49,623	8,420	630,147	—
Other	—	3,295	—	—	3,295	—
Bonds and notes payable	6,004,000	2,919,628	402,249	112,440	9,438,317	—
Total current liabilities	<u>8,547,134</u>	<u>4,348,630</u>	<u>1,498,863</u>	<u>162,580</u>	<u>14,557,207</u>	<u>5,350,481</u>
Noncurrent liabilities:						
Judgments and claims	454,489	9,606	—	—	464,095	—
Compensated absences	113,464	34,585	1,563	4,015	153,627	—
OPEB payable	634,148	463,327	129,261	24,692	1,251,428	—
Other	—	49,327	—	—	49,327	—
Bonds and notes payable	74,649,557	46,341,761	3,456,975	961,680	125,409,973	—
Total noncurrent liabilities	<u>75,851,658</u>	<u>46,898,606</u>	<u>3,587,799</u>	<u>990,387</u>	<u>127,328,450</u>	<u>—</u>
Total liabilities	<u>84,398,792</u>	<u>51,247,236</u>	<u>5,086,662</u>	<u>1,152,967</u>	<u>141,885,657</u>	<u>5,350,481</u>
Net assets:						
Invested in capital assets, net of related debt	42,760,095	47,925,384	20,375,497	(200,011)	110,860,965	—
Unrestricted	4,283,619	7,537,020	(84,205)	(20,278)	11,716,156	7,825,989
Total net assets	<u>\$ 47,043,714</u>	<u>55,462,404</u>	<u>20,291,292</u>	<u>(220,289)</u>	<u>122,577,121</u>	<u>7,825,989</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
Operating revenues:						
Charges for services	\$ 23,510,713	26,470,530	—	—	49,981,243	—
Employer contributions	—	—	—	—	—	66,785,470
Employee contributions	—	—	—	—	—	17,306,807
Fees	—	—	566,988	1,118,190	1,685,178	—
Miscellaneous	740,501	457,602	234,245	8,940	1,441,288	—
Total operating revenues	24,251,214	26,928,132	801,233	1,127,130	53,107,709	84,092,277
Operating expenses:						
Salaries and benefits	9,311,664	5,290,222	1,324,565	342,873	16,269,324	—
Benefit payments	—	—	—	—	—	82,356,370
Ordinary maintenance	5,369,046	14,292,411	1,493,103	719,489	21,874,049	—
Indirect costs	2,031,794	3,014,216	—	71,850	5,117,860	—
Depreciation	4,919,775	4,669,003	1,681,616	46,874	11,317,268	—
Total operating expenses	21,632,279	27,265,852	4,499,284	1,181,086	54,578,501	82,356,370
Operating income (loss)	2,618,935	(337,720)	(3,698,051)	(53,956)	(1,470,792)	1,735,907
Nonoperating revenues (expenses):						
Intergovernmental	745,000	—	1,943,289	—	2,688,289	—
Investment income	—	—	—	—	—	478,776
Interest expense	(3,580,853)	(1,992,470)	(203,105)	(45,823)	(5,822,251)	—
Total nonoperating revenues (expenses)	(2,835,853)	(1,992,470)	1,740,184	(45,823)	(3,133,962)	478,776
Income (loss) before capital donations and transfers	(216,918)	(2,330,190)	(1,957,867)	(99,779)	(4,604,754)	2,214,683
Capital donations	1,162,427	1,549,908	—	—	2,712,335	—
Transfers in	—	493,407	1,332,695	101,845	1,927,947	—
Transfers out	(762,210)	(507,647)	(87,209)	(31,364)	(1,388,430)	(1,122,487)
Change in net assets	183,299	(794,522)	(712,381)	(29,298)	(1,352,902)	1,092,196
Total net assets – beginning	46,860,415	56,256,926	21,003,673	(190,991)	123,930,023	6,733,793
Total net assets – ending	\$ 47,043,714	55,462,404	20,291,292	(220,289)	122,577,121	7,825,989

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2008

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
						Fund
Cash flows from operating activities:						
Receipts from customers	\$ 23,941,065	26,087,647	844,383	1,127,130	52,000,225	84,092,277
Payments for interfund service provided	—	—	—	—	—	(80,481,760)
Payments to suppliers	(7,019,389)	(17,492,367)	(1,241,927)	(831,743)	(26,585,426)	—
Payments to employees	(8,637,553)	(4,774,262)	(1,199,916)	(308,522)	(14,920,253)	—
Net cash provided (used) by operating activities	8,284,123	3,821,018	(1,597,460)	(13,135)	10,494,546	3,610,517
Cash flows from noncapital financing activities:						
Advance (to) from general fund	—	—	365,229	—	365,229	(339,677)
Transfers in	—	493,407	1,332,695	101,845	1,927,947	—
Transfers (out)	(762,210)	(507,647)	(87,209)	(31,364)	(1,388,430)	(1,122,487)
Intergovernmental subsidies	745,000	—	1,093,541	—	1,838,541	—
Net cash provided (used) by noncapital financing activities	(17,210)	(14,240)	2,704,256	70,481	2,743,287	(1,462,164)
Cash flows from capital and related financing activities:						
Issuance of capital debt	17,345,000	11,980,000	465,000	530,000	30,320,000	—
Acquisition and construction of capital assets	(6,483,621)	(3,608,327)	(796,701)	(228,595)	(11,117,244)	—
Principal paid on capital debt	(15,154,098)	(9,073,422)	(566,229)	(507,234)	(25,300,983)	—
Interest paid on capital debt	(3,664,018)	(2,014,859)	(208,866)	(46,941)	(5,934,684)	—
Net cash (used) by capital and related financing activities	(7,956,737)	(2,716,608)	(1,106,796)	(252,770)	(12,032,911)	—
Cash flows from investing activities:						
Investment income	—	—	—	—	—	478,776
Net increase in cash and cash equivalents	310,176	1,090,170	—	(195,424)	1,204,922	2,627,129
Cash and cash equivalents at beginning of year	7,440,208	6,973,022	—	376,225	14,789,455	9,512,928
Cash and cash equivalents at end of year (includes \$6,399,742, \$7,493,401 and \$122,232 reported as restricted in the Water, Sewer and Golf Course funds)	\$ 7,750,384	8,063,192	—	180,801	15,994,377	12,140,057
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,618,935	(337,720)	(3,698,051)	(53,956)	(1,470,792)	1,735,907
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	4,919,775	4,669,003	1,681,616	46,874	11,317,268	—
(Increase) decrease in accounts receivable	(310,149)	(840,485)	43,150	—	(1,107,484)	142,242
Increase (decrease) in accounts payable	265,058	(173,691)	255,549	(40,356)	306,560	270,810
Increase in OPEB payable	634,148	463,327	129,261	24,692	1,251,428	—
Increase in accrued liabilities	—	—	—	—	—	1,461,558
Increase in judgments and claims payable	141,379	36,961	—	—	178,340	—
Increase (decrease) in compensated absences payable	14,977	3,623	(8,985)	9,611	19,226	—
Total adjustments	5,665,188	4,158,738	2,100,591	40,821	11,965,338	1,874,610
Net cash provided (used) by operating activities	\$ 8,284,123	3,821,018	(1,597,460)	(13,135)	10,494,546	3,610,517
Noncash investing, capital and financing activities						
Capital donations	\$ 1,162,427	1,549,908	—	—	2,712,335	—

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2008

	Pension Trust Fund (As of December 31, 2007)	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 6,469,330	446,218
Investments, at fair value:		
Equities	257,079,708	—
Fixed income	102,246,849	—
Pooled equities	149,060,176	—
Pooled fixed income	30,450,246	—
Real estate	96,451,119	—
Alternative investments	118,216,751	—
Total investments	<u>753,504,849</u>	<u>—</u>
Receivables:		
Accrued interest and dividends	1,176,672	—
Intergovernmental	1,555,464	—
Receivable for securities sold	1,573,084	—
Other receivables	9,155	—
Total receivables	<u>4,314,375</u>	<u>—</u>
Securities lending collateral	<u>13,696,321</u>	<u>—</u>
Total assets	<u>777,984,875</u>	<u>446,218</u>
Liabilities:		
Accounts payable and accrued expenses	527,777	28,129
Due to student groups	—	418,089
Intergovernmental	3,131,111	—
Payable for securities purchased	1,219,334	—
Securities lending collateral	13,696,321	—
Total liabilities	<u>18,574,543</u>	<u>446,218</u>
Net assets:		
Held in trust for pension benefits	\$ <u>759,410,332</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2008

	Pension Trust Fund (Year ended December 31, 2007)
	<u> </u>
Additions:	
Contributions:	
Employers	\$ 24,166,318
Plan members	13,922,938
Commonwealth of Massachusetts	2,426,810
Reimbursements from other systems	373,886
	<u> </u>
Total contributions	40,889,952
Investment earnings:	
Interest and dividends	13,435,355
Securities lending income	1,060,815
Net appreciation in fair value of investments	52,528,773
Less: management fees	(4,319,710)
Less: borrower rebates and fees under securities lending program	(1,014,832)
	<u> </u>
Net investment earnings	61,690,401
	<u> </u>
Total additions	102,580,353
Deductions:	
Benefits	55,033,466
Reimbursements to other systems	1,935,891
Refunds and transfers of plan member accounts to other systems	2,441,660
Administrative expenses	555,774
	<u> </u>
Total deductions	59,966,791
	<u> </u>
Change in net assets	42,613,562
Net assets – beginning	716,796,770
	<u> </u>
Net assets – ending	\$ 759,410,332
	<u> </u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(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 relationship 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, 2008, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2007.

Blended 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 through a method of inclusion known as blending.

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 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

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Discretely Presented Component Units

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

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

Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 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 2008 amounted to \$2,240,

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which represented approximately 76% 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 287 Grove Street, Worcester, Massachusetts 01605.

Related Organization

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

(b) Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements 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.

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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 revenues.

The City also reports proprietary funds. The focus in proprietary funds is upon determination of operating income, changes in net assets, financial position, and cash flows. The City's discretely presented component units, along with the water, sewer, airport, and golf course (nonmajor) enterprises, fit into this category. The accounting principles used are similar to those used for private sector businesses. The City and its component units apply to these funds accounting standards and interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989, unless those principles conflict with or contradict pronouncements of GASB. After such date, the City follows GASB pronouncements.

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) early retirement costs, claims, and judgments (including self-insurance), compensated absences and landfill closure and postclosure 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 all financial resources except those required to be accounted for in a separate fund.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

- **CitySquare Fund** – The CitySquare fund was established to account for the City’s share of the financial resources used for the construction of the CitySquare project.
- **Stabilization Fund** – The stabilization fund was established to reduce the impact of debt service costs on future budgets. The funding source was from the Massachusetts School Building Authority (MSBA) for construction costs related to the Vocational Technical High School and other retroactive school construction costs.

The City also 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.
- **Airport Fund** – The airport fund is used to account for the operations of the City’s municipal airport.

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.

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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(d) Assets, Liabilities, and Net Assets or Equity

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

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Inventory

The cost of supplies and other inventoriable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2008, 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 (\$5 in previous years) and an estimated useful life in excess of two years. 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, are capitalized during the construction period if material. Such costs were not considered material during fiscal 2008. 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 and the WRA 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. The District provides depreciation on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and 20 to 40 years for facilities.

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

Compensated Absences

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

Net Assets Restrictions/Fund Balance Reservations

Net assets and fund balances are reported as restricted and reserved, respectively, when amounts are specified by outside parties for a specific future use. The City reports the following restrictions and reservations:

CITY OF WORCESTER, MASSACHUSETTS

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June 30, 2008

(In thousands of dollars)

“Nonexpendable permanent funds” represents amounts held in trust for which only investment earnings may be expended.

“Expendable permanent funds” represents amounts held in trust whereby expenditures are subject to various trust agreements.

“Renewal and replacement” represents resources set aside to fund asset renewal and replacement.

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

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 Postclosure 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 postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2008, 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 postclosure 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 assets. Expenditures related to MSWLF closure and postclosure care in fiscal 2008 was \$107.

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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

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 assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

Investment Income

Except for the permanent funds, investment income derived from governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law.

Except for investment income of the internal service fund, investment income from proprietary funds is voluntarily assigned to the general fund.

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.

(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 operating transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and operating transfers projected to be received by the City, including available surplus funds.

(3) 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 (including demand and term 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

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 \$100 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2008, \$103,531 of the City's bank balance of \$128,313 was insured and collateralized with securities held by pledging financial institutions, and \$24,782 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2008, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

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.....	\$ 1,796	340	885	514	57
U.S. Agencies.....	767	41	565	45	116
Corporate bonds.....	1,267	642	300	203	122
Money market mutual funds.....	934	934	-	-	-
Mutual bond funds.....	48	48	-	-	-
External investment pools.....	29,833	29,833	-	-	-
Total debt securities.....	34,645	31,838	1,750	762	295
<u>Other Investments:</u>					
Equity securities.....	7,127				
Equity mutual funds.....	1,019				
Total other investments.....	8,146				
Total investments.....	\$ 42,791				

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2008, none of the City's investments were exposed to custodial credit risk.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

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. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2008, the credit quality ratings of the City's investment in debt securities are as follows:

<u>Quality Ratings*</u>	<u>U.S. Agencies **</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Mutual Bond Funds</u>	<u>External Investment Pools</u>	<u>Total</u>
AAA.....	\$ 717	156	-	16	-	889
AA+.....	-	15	-	-	-	15
AA.....	-	113	-	32	-	145
AA-.....	-	121	-	-	-	121
A+.....	-	140	-	-	-	140
A.....	-	48	-	-	-	48
A-.....	-	27	-	-	-	27
BBB+.....	-	116	-	-	-	116
BBB.....	-	20	-	-	-	20
BBB-.....	-	47	-	-	-	47
BB+.....	-	14	-	-	-	14
B.....	-	10	-	-	-	10
Unrated.....	-	440	934	-	29,833	31,207
Total.....	\$ <u>717</u>	<u>1,267</u>	<u>934</u>	<u>48</u>	<u>29,833</u>	<u>32,799</u>

* Per the rating scale of Standard & Poors (a national credit rating organization)

** Represents implicitly-guaranteed investments in U.S. Agencies only

(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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

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 \$100 of deposits held at each financial institution. As of December 31, 2007, \$480 of the WRS's bank balance of \$612 was uninsured and uncollateralized.

Investments Summary

The WRS's investments at December 31, 2007 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.....	\$ 38,104	-	13,425	12,490	12,189
U.S. Agencies.....	22,858	60	977	1,123	20,698
Corporate bonds.....	34,620	2,129	8,154	12,489	11,848
Money market mutual funds.....	20,161	20,161	-	-	-
Debt security mutual funds.....	37,114	30,450	510	-	6,154
 Total debt securities.....	<u>152,857</u>	<u>52,800</u>	<u>23,066</u>	<u>26,102</u>	<u>50,889</u>
 <u>Other Investments:</u>					
Equity securities.....	98,056				
Equity mutual funds.....	308,084				
Real estate investments.....	96,451				
Alternative investments.....	<u>118,217</u>				
 Total other investments.....	<u>620,808</u>				
 Total investments.....	<u>\$ 773,665</u>				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(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 duration of investments remain fairly stable over time and be focused in the intermediate range. The WRS's debt security managers are not permitted to make large-scale changes in portfolio duration in an attempt to anticipate interest rate changes. However, they are permitted to shift portfolio duration within a limited range (defined by their guidelines) in an effort to enhance performance.

Investments - Custodial Credit Risk

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, 2007, 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's policies for credit risk of debt securities sets minimum average quality requirements for investment strategies employed, among other limitations. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's. As of December 31, 2007, the credit quality ratings of the WRS's debt securities are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

Quality Ratings *	Investment Type			Fair Value
	Corporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds	
AAA.....	\$ 2,291	-	4,447	6,738
AA.....	1,934	-	-	1,934
AA-.....	840	-	-	840
A+.....	1,385	-	-	1,385
A.....	1,911	-	151	2,062
A-.....	2,536	-	-	2,536
BBB+.....	3,084	-	-	3,084
BBB.....	1,578	-	317	1,895
BBB-.....	1,164	-	-	1,164
BB+.....	1,690	-	-	1,690
BB.....	1,368	-	-	1,368
BB-.....	1,863	-	-	1,863
B+.....	2,628	-	-	2,628
B.....	3,400	-	-	3,400
B-.....	1,420	-	-	1,420
CCC+.....	1,490	-	-	1,490
CCC.....	1,058	-	-	1,058
Unrated.....	2,980	20,161	32,199	55,340
Total.....	\$ 34,620	20,161	37,114	91,895

* Per the rating scale of Standard & Poors, 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, 2007, the WRS's exposure to foreign currency risk is as follows:

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<u>Deposit/Investment Type</u>	<u>U.S. Dollar Balances</u>	<u>Currency</u>
Corporate bonds.....	\$ 915	South Korean won
U.S. Agencies.....	818	Mexican peso
Corporate bonds.....	687	Singapore dollar
Corporate bonds.....	428	Indonesian rupiah
U.S. Agencies.....	282	Columbian peso
U.S. Agencies.....	206	Singapore dollar
U.S. Agencies.....	115	South African rand
Corporate bonds.....	<u>112</u>	South African rand
Total.....	<u>\$ 3,563</u>	

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, 2007, the WRS was not exposed to concentration of credit risk.

(c) Deposits and Investments of the 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 \$100 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2008, the District’s deposits were fully insured and collateralized.

Investments Summary

The District’s investments at June 30, 2008, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

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Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 956	565	391	-
U.S. Agencies.....	2,505	1,992	512	1
Total debt securities.....	3,461	2,557	903	1
<u>Other Investments:</u>				
Equity securities.....	1,444			
Total investments.....	\$ 4,905			

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 District's policies for interest rate risk permit the investment manager discretion to recommend a duration that is pegged at the Shearson Lehman Intermediate Treasury Benchmark. The portfolio's duration may be shorter or longer than the benchmark depending upon the investment manager's interest rate forecast. The benchmark duration averages 3.5 years. Deviation of the portfolio's duration to the benchmark typically will not exceed two years.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, 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 is required to custody securities in depository accounts (at a depository trust company or Federal Reserve Bank), which are not subject to the bank's creditor claims. As of June 30, 2008, 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 not fulfill its obligations. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a AAA rating by Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2008, the credit quality ratings of the District's U.S Treasury and U.S. Agency investments were AAA rated or backed by full faith of the U.S. Treasury.

CITY OF WORCESTER, MASSACHUSETTS

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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, 2008, the District had no investments with a single issuer that represented 5 percent or more of the District's total investments.

(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, 2008, WRA's bank balance of \$48 was not exposed to custodial credit risk.

(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, 2007. 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

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December 31, 2007, WRS had no credit risk exposure to borrowers because the amounts WRS owed the borrowers exceeded the amounts owed to WRS. The cash collateral held and the fair value of securities on loan for WRS at December 31, 2007 and 2006 was \$13,696 and \$18,179 and \$13,599 and \$18,090, respectively. Borrower rebates and fees paid to the broker were \$1,015 for the year ended December 31, 2007.

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

(a) *Plan Description 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 June 30, 2008, the City's payroll for employees covered by WRS was approximately \$148,000; the City's total payroll was approximately \$320,000.

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 5); 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, 2007:

Active employees	3,299
Pensioners and beneficiaries	2,849
Inactive employees with vested rights	994
Total members	<u>7,142</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 except for special situations and the City's police officers and firefighters, whose normal retirement age is 55. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service 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

CITY OF WORCESTER, MASSACHUSETTS

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payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 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.

(c) Funding Policy

Chapter 32 of MGL governs the contributions of plan members and the City. Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. 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 \$2,427 for the fiscal year ended June 30, 2008 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(d) Annual Pension Cost

For the year ended June 30, 2008 the required and actual contribution was \$22,089. For the year ended June 30, 2007 the required and actual contribution was \$21,241 and for the year ended June 30, 2006 the required contribution was \$20,175 and the actual contribution was \$21,526. At June 30, 2008, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2008, 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, 2008, the most recent actuarial valuation date, is as follows:

Schedule of funding progress						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Annual Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2008	\$ 759,410	889,924	130,514	85.33%	\$ 156,585	83.35%

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.

(f) Methods and Assumptions

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

Valuation date	January 1, 2008
Actuarial cost method	Entry age normal
Amortization method	Level payments on the 2002 and 2003 ERI liability and the Section 90 ACD liability and 4.00% increasing payments on remaining unfunded liability
Remaining amortization period	The remaining effective amortization period is 11 years and the period was closed
Asset valuation method	Market value
Investment rate of return	8.25%
Projected salary increases	5.00%
Cost-of-living adjustments	3.00% for the first \$12 of retirement income

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

(g) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2007 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 144,175	Active members' contribution balance
Annuity Reserve Fund	49,294	Retired members' contribution account
Military Service Fund	17	Members' contribution account while on military leave
Pension Reserve Fund	511,184	Amounts appropriated to fund future retirement benefits
Pension Fund	54,740	Remaining net assets
Total	<u>\$ 759,410</u>	

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

(5) 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 2008 was approximately \$140,000. 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.

CITY OF WORCESTER, MASSACHUSETTS

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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. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest consecutive salaried years of employee service and are determined in a manner similar to the provisions of WRS (see note 4). 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 \$46,376 for the fiscal year ended June 30, 2008 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

(b) Special Termination Benefits

In prior years, the City elected to make certain employees who participate in the Massachusetts Teachers' Retirement System eligible for an early retirement incentive program. The remaining additional accrued liability incurred as of June 30, 2008 was \$898. This liability has been recorded in the applicable governmental activities statement of net assets. Scheduled payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 440
2010	458
	<u>\$ 898</u>

(6) Other Postemployment Benefits

(a) Plan Description

In addition to the pension benefits described in notes 4 and 5, the City provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (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

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self-funds the claims for the remaining plans. The Plan does not issue a stand alone 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, 2008, the latest actuarial valuation, is as follows:

Active employees.....	4,348
Retired employees, beneficiaries and dependents.....	<u>5,285</u>
Total.....	<u>9,633</u>

(b) Funding Policy

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 \$5,000 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

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:

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(In thousands of dollars)

	<u>Amount</u>
Annual required contribution.....	\$ 67,158
Interest on net OPEB obligation.....	—
Adjustment to annual required contribution.....	<u>—</u>
Annual OPEB cost.....	67,158
Contributions made.....	<u>(22,692)</u>
Increase in net OPEB obligation.....	44,466
Net OPEB obligation at beginning of year.....	<u>—</u>
Net OPEB obligation at end of year.....	\$ <u><u>44,466</u></u>

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 Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008*.....	\$ 67,158	33.8%	\$ 44,466

* Transition year

(d) Funded Status and Funding Progress

The funded status of the Plan at June 30, 2008, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/08	\$ -	\$ 1,148,294	\$ 1,148,294	0.0%	\$ 156,585	733%

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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.

(e) Methods and Assumptions

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

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

Valuation date:	June 30, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percent of pay, closed
Remaining amortization period:	30 years as of July 1, 2008
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.0% per year

CITY OF WORCESTER, MASSACHUSETTS

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(f) Allocation of AOPEBC

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

Governmental Activities:

General government.....	\$ 4,479
Public safety.....	17,359
Health and human services.....	668
Education.....	38,541
Libraries.....	915
Public works.....	2,383
Culture and recreation.....	<u>756</u>

Total AOPEBC - governmental activities..... \$ 65,101

Business-Type Activities:

Water.....	\$ 1,158
Sewer.....	676
Airport.....	198
Golf.....	<u>25</u>

Total AOPEBC - business-type activities..... \$ 2,057

(7) Accounts Receivable

At June 30, 2008, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Property taxes	\$ 5,919	(1,768)	4,151
Tax liens	4,668	(447)	4,221
Motor vehicle excise taxes	5,933	(3,098)	2,835
Special assessments	977	—	977
Departmental and other	8,625	(2,191)	6,434
Intergovernmental	<u>115,070</u>	<u>—</u>	<u>115,070</u>
	\$ <u><u>141,192</u></u>	<u><u>(7,504)</u></u>	<u><u>133,688</u></u>

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Notes to the Basic Financial Statements

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At June, 30, 2008, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Charges for services	\$ 13,577	—	13,577
Utility liens	1,777	—	1,777
Special assessments	304	—	304
Intergovernmental	1,317	—	1,317
	<u>\$ 16,975</u>	<u>—</u>	<u>16,975</u>

Governmental funds report deferred revenue 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 revenue reported in the governmental funds:

	General Fund	Nonmajor Funds	Total
<u>Receivable type:</u>			
Property taxes	\$ 2,705	—	2,705
Tax liens	4,221	—	4,221
Motor vehicle excise taxes	1,849	—	1,849
Special assessments	977	—	977
Departmental and other	2,508	470	2,978
Intergovernmental (school construction)	110,252	—	110,252
Intergovernmental (other state and federal)	984	—	984
	<u>\$ 123,496</u>	<u>470</u>	<u>123,966</u>

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2008, \$17,306 of such assistance was received. Approximately \$179,998 will be received in future fiscal years. Of this amount, approximately \$69,746 represents reimbursement of long-term interest costs, and approximately \$110,252 represents reimbursement of approved construction costs. Accordingly, a \$110,252 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

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(8) Capital Assets

Capital asset activity for the year ended June 30, 2008 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	\$ 16,691	—	—	16,691
Construction in progress	16,775	26,660	2,351	41,084
Total capital assets, not being depreciated	<u>33,466</u>	<u>26,660</u>	<u>2,351</u>	<u>57,775</u>
Capital assets, being depreciated:				
Buildings	454,602	4,747	950	458,399
Improvements other than buildings	15,728	2,987	143	18,572
Rolling equipment	23,369	1,106	—	24,475
Equipment and other	13,409	52	83	13,378
Infrastructure	137,661	12,904	—	150,565
	<u>644,769</u>	<u>21,796</u>	<u>1,176</u>	<u>665,389</u>
Less accumulated depreciation for:				
Buildings	136,160	13,487	297	149,350
Improvements other than buildings	2,725	752	25	3,452
Rolling equipment	17,410	1,064	—	18,474
Equipment and other	9,682	803	46	10,439
Infrastructure	64,306	6,432	—	70,738
	<u>230,283</u>	<u>22,538</u>	<u>368</u>	<u>252,453</u>
Total capital assets, being depreciated, net	<u>414,486</u>	<u>(742)</u>	<u>808</u>	<u>412,936</u>
Governmental capital assets, net	\$ <u>447,952</u>	<u>25,918</u>	<u>3,159</u>	<u>470,711</u>

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

Governmental activities:	
General government	\$ 66
Public safety	1,331
Public works	7,366
Education	9,325
Library	734
Health and human services	245
Culture and recreation	3,471
Total depreciation expense – governmental activities	\$ <u>22,538</u>

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Notes to the Basic Financial Statements

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(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 3,419	1,000	—	4,419
Construction in progress	150	268	133	285
Total capital assets, not being depreciated	<u>3,569</u>	<u>1,268</u>	<u>133</u>	<u>4,704</u>
Capital assets, being depreciated:				
Buildings	39,925	530	636	39,819
Rolling equipment	1,987	207	189	2,005
Infrastructure	120,490	5,651	—	126,141
Equipment and other	114	102	64	152
Total capital assets, being depreciated	<u>162,516</u>	<u>6,490</u>	<u>889</u>	<u>168,117</u>
Less accumulated depreciation for:				
Buildings	12,912	1,028	636	13,304
Rolling equipment	1,230	210	186	1,254
Infrastructure	37,525	3,672	—	41,197
Equipment and other	106	10	64	52
Total accumulated depreciation	<u>51,773</u>	<u>4,920</u>	<u>886</u>	<u>55,807</u>
Total capital assets, being depreciated, net	<u>110,743</u>	<u>1,570</u>	<u>3</u>	<u>112,310</u>
Water capital assets, net	<u>114,312</u>	<u>2,838</u>	<u>136</u>	<u>117,014</u>
Sewer:				
Capital assets, not being depreciated:				
Land	117	—	—	117
Construction in progress	736	120	407	449
Total capital assets, not being depreciated	<u>853</u>	<u>120</u>	<u>407</u>	<u>566</u>
Capital assets, being depreciated:				
Buildings	3,269	280	—	3,549
Rolling equipment	3,626	426	325	3,727
Infrastructure	136,961	4,641	584	141,018
Equipment and other	188	91	11	268
Total capital assets, being depreciated	<u>144,044</u>	<u>5,438</u>	<u>920</u>	<u>148,562</u>
Less accumulated depreciation for:				
Buildings	1,003	116	—	1,119
Rolling equipment	1,790	389	325	1,854
Infrastructure	52,847	4,143	584	56,406
Equipment and other	45	22	11	56
Total accumulated depreciation	<u>55,685</u>	<u>4,670</u>	<u>920</u>	<u>59,435</u>
Total capital assets, being depreciated, net	<u>88,359</u>	<u>768</u>	<u>—</u>	<u>89,127</u>
Sewer capital assets, net	<u>89,212</u>	<u>888</u>	<u>407</u>	<u>89,693</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Airport:				
Capital assets, not being depreciated:				
Land	\$ 106	—	—	106
Construction in progress	368	797	368	797
Total capital assets, not being depreciated	<u>474</u>	<u>797</u>	<u>368</u>	<u>903</u>
Capital assets, being depreciated:				
Buildings	17,376	—	—	17,376
Rolling equipment	770	—	—	770
Infrastructure	23,658	368	564	23,462
Equipment and other	433	—	—	433
Total capital assets, being depreciated	<u>42,237</u>	<u>368</u>	<u>564</u>	<u>42,041</u>
Less accumulated depreciation for:				
Buildings	5,408	443	—	5,851
Rolling equipment	654	45	—	699
Infrastructure	11,411	1,153	564	12,000
Equipment and other	319	41	—	360
Total accumulated depreciation	<u>17,792</u>	<u>1,682</u>	<u>564</u>	<u>18,910</u>
Total capital assets, being depreciated, net	<u>24,445</u>	<u>(1,314)</u>	<u>—</u>	<u>23,131</u>
Airport capital assets, net	<u>24,919</u>	<u>(517)</u>	<u>368</u>	<u>24,034</u>
Golf course (nonmajor):				
Capital assets, not being depreciated:				
Construction in progress	66	135	—	201
Capital assets, being depreciated:				
Buildings	214	—	—	214
Infrastructure	719	96	—	815
Equipment and other	6	—	6	—
Total capital assets, being depreciated	<u>939</u>	<u>96</u>	<u>6</u>	<u>1,029</u>
Less accumulated depreciation for:				
Buildings	97	9	—	106
Infrastructure	334	38	—	372
Equipment and other	6	—	6	—
Total accumulated depreciation	<u>437</u>	<u>47</u>	<u>6</u>	<u>478</u>
Total capital assets, being depreciated, net	<u>502</u>	<u>49</u>	<u>—</u>	<u>551</u>
Golf course capital assets, net	<u>568</u>	<u>184</u>	<u>—</u>	<u>752</u>
Business-type activities capital assets, net	\$ <u>229,011</u>	<u>3,393</u>	<u>911</u>	<u>231,493</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(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	83,936	41,632	67,777	57,791
Total capital assets, not being depreciated	84,638	41,632	67,777	58,493
Capital assets, being depreciated:				
Treatment facilities	54,525	67,777	—	122,302
Equipment and other	3,406	395	—	3,801
Total capital assets, being depreciated	57,931	68,172	—	126,103
Less accumulated depreciation for:				
Treatment facilities	28,290	3,597	—	31,887
Equipment and other	2,580	230	—	2,810
Total accumulated depreciation	30,870	3,827	—	34,697
Total capital assets, being depreciated, net	27,061	64,345	—	91,406
The District's capital assets, net	\$ 111,699	105,977	67,777	149,899
Discretely presented component units – WRA:				
Capital assets, not being depreciated:				
Land	\$ 1,270	—	—	1,270
Construction in progress	3,191	1,436	3,727	900
Total capital assets, not being depreciated	4,461	1,436	3,727	2,170
Capital assets, being depreciated:				
Buildings	38,001	536	—	38,537
Equipment and other	176	—	—	176
Total capital assets, being depreciated	38,177	536	—	38,713
Less accumulated depreciation for:				
Buildings	5,861	981	—	6,842
Equipment and other	83	5	—	88
Total accumulated depreciation	5,944	986	—	6,930
Total capital assets, being depreciated, net	32,233	(450)	—	31,783
WRA capital assets, net	\$ 36,694	986	3,727	33,953

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2008. The projects include new school construction, fire station construction, land, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows.

Project	Spent through June 30, 2008	Remaining commitment
Infrastructure improvements	\$ 25,614	84,677
Fire station	3,581	1,908
New school construction	2,064	1,574
Land improvements	1,528	3,076
Building improvements	203	587
Total	\$ <u>32,990</u>	<u>91,822</u>

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

(9) Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt at June 30, 2008 is summarized as follows:

Governmental Activities

Capital assets	\$ 723,164
Less accumulated depreciation	(252,453)
Less outstanding debt, net of unamortized premiums	(516,435)
Add outstanding debt that is not capital related	216,551
Add unspent proceeds of capital related debt	16,627
Add grant receivable to fund capital debt	<u>110,252</u>
Invested in capital assets, net of related debt	<u>\$ 297,706</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Airport</u>	<u>Golf</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 172,821	149,128	42,944	1,230	366,123
Less accumulated depreciation	(55,807)	(59,435)	(18,910)	(478)	(134,630)
Less outstanding debt	(80,654)	(49,261)	(3,859)	(1,074)	(134,848)
Add unspent proceeds of capital related debt	<u>6,400</u>	<u>7,493</u>	<u>201</u>	<u>122</u>	<u>14,216</u>
Invested in capital assets, net of related debt	<u>\$ 42,760</u>	<u>47,925</u>	<u>20,376</u>	<u>(200)</u>	<u>110,861</u>

(10) Operating Leases

The City occasionally leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$230 for the year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

Year ending June 30:	<u>Amount</u>
2009	\$ 235
2010	253
2011	253
2012	162
2013	144
2014	144
2015	144
2016	144
2017	144
2018	<u>144</u>
	\$ <u><u>1,767</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(11) 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 assets.

	<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%-8.00%) \$	102,667	45,117	11,713	136,071	12,996
Outside debt limit	(2.00%-8.50%)	387,369	4,950	21,061	371,258	20,671
Notes payable – Section 108	(2.31%-6.01%)	5,800	—	—	5,800	1,094
Accrued early retirement costs, net		1,321	—	423	898	440
Judgments and claims		14,892	2,602	1,965	15,529	1,425
Compensated absences		11,897	9,438	8,010	13,325	8,978
Landfill closure and postclosure care costs		3,218	—	107	3,111	—
Other post employment benefits		—	43,215	—	43,215	—
Deferred amounts on bond premium		3,462	423	580	3,305	580
		<u>\$ 530,626</u>	<u>105,745</u>	<u>43,859</u>	<u>592,512</u>	<u>46,184</u>

During fiscal year 2008, the City issued \$50,067 of general obligation bonds for building construction, infrastructure, equipment, land improvements, parking garage construction and other capital purposes. Of this amount, \$27,122 includes general obligation bonds issued on September 15, 2008, to refinance BANs outstanding June 30, 2008. Accordingly, these amounts have been included as long-term debt at June 30, 2008 (see Note 12).

For governmental activities, bonds and notes payable are liquidated by the general fund, stabilization fund and various other governmental funds. Accrued early retirement, claims and judgments, and compensated absences are generally liquidated by the general fund. Landfill closure and postclosure care is generally liquidated by the capital projects fund.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(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 assets.

	<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%-7.00%) \$	8,021	3,455	1,292	10,184	1,243
Outside debt limit	(2.00%-7.00%)	104,707	26,865	7,814	123,758	8,153
MWPAT note payable	(2.00%-5.50%)	949	—	43	906	43
Judgments and claims		468	341	162	647	183
Compensated absences		765	634	615	784	630
Other post employmnet benefits		—	1,251	—	1,251	—
Deferred amounts on bond premium		56	—	2	54	3
		<u>\$ 114,966</u>	<u>32,546</u>	<u>9,928</u>	<u>137,584</u>	<u>10,255</u>

During fiscal year 2008, the City issued \$30,320 of general obligation bonds for various water, sewer, airport and golf capital improvements. Of this amount, \$14,168 includes general obligation bonds issued on September 15, 2008, to refinance BANs outstanding June 30, 2008. Accordingly, these amounts have been included as long-term debt at June 30, 2008 (see Note 12).

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2008 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:						
2009	\$ 33,667	24,337	6,004	3,421	2,877	1,908
2010	36,524	23,234	6,773	3,279	3,096	1,899
2011	36,264	21,514	6,990	2,955	2,978	1,765
2012	31,891	23,738	7,120	2,628	2,917	1,640
2013	29,447	22,739	7,428	2,293	2,525	1,525
2014-2018	146,120	78,121	31,403	6,468	13,306	5,914
2019-2023	108,289	40,695	9,669	2,151	12,208	3,114
2024-2028	84,797	14,699	4,983	524	8,112	776
2029	330	8	284	7	336	9
	<u>\$ 507,329</u>	<u>249,085</u>	<u>80,654</u>	<u>23,726</u>	<u>48,355</u>	<u>18,550</u>
			<u>Business-type activities</u>		<u>Business-type activities totals</u>	
			<u>Airport</u>	<u>Golf (nonmajor)</u>	<u>Principal</u>	<u>Interest</u>
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2009	\$ 402	195	112	43	9,395	5,567
2010	455	176	118	39	10,442	5,393
2011	470	148	116	34	10,554	4,902
2012	445	124	113	29	10,595	4,421
2013	470	127	91	25	10,514	3,970
2014-2018	1,572	149	209	90	46,490	12,621
2019-2023	29	7	193	45	22,099	5,317
2024-2028	16	1	122	10	13,233	1,311
2029	—	—	—	—	620	16
	<u>\$ 3,859</u>	<u>927</u>	<u>1,074</u>	<u>315</u>	<u>133,942</u>	<u>43,518</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(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.

Authorized and unissued debt at June 30, 2008 is as follows:

Inside debt limit:		
School construction	\$	67,070
Building rehabilitation		19,854
Union Station garage		17,560
Street construction		2,999
Departmental equipment		2,893
Worcester Center Boulevard Garage		2,250
Worcester Center Boulevard Garage walkway		1,850
Parks improvements		1,510
Blackstone Valley Visitors' Center		1,500
South Worcester industrial park		1,000
Franklin Square fire station construction		940
Airport improvements		760
Water building rehabilitation		725
Worcester Common rehabilitation		605
Building demolition		269
Bridge construction		209
Land acquisition		125
Gateway bridge		105
Library design		60
Surface drain construction		50
Dam improvements		30
Urban Systems Gateway		2
Total inside debt limit		<u>122,366</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

Outside debt limit:		
CitySquare	\$	81,085
DCU building rehabilitation		29,250
Sewer construction		7,202
Water filtration		2,735
Vocational School construction		2,175
Reservoir rehabilitation		665
Surface drain construction		495
Greenhill Park improvements		445
Water mains		354
Water pump station rehabilitation		250
Water equipment		218
Sewer drainage		200
Greenhill Golf Course improvements		130
Water land acquisition		100
Airport improvements		35
		<hr/>
Total outside debt limit		125,339
		<hr/>
Total inside and outside debt limit	\$	<u>247,705</u>

At June 30, 2008, in addition to debt authorized but unissued, the City may issue \$364,108 of additional general obligation debt under the normal debt limit. The City had \$495,922 of outstanding debt exempt from the debt limit.

(d) Advance Refundings

The principal amount of debt refunded through prior year in-substance defeasance transactions and still outstanding at June 30, 2008 was \$131,045.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(e) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2008:

1997 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	\$ 7,407
1999 General Obligation Bonds payable in varying annual installments at an average coupon rate of 5.32% with a final payment due August 1, 2009. The bond was advanced refunded during fiscal 2007.	1,020
1999 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.	712
2001 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.	360
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.14% with a final payment due March 15, 2023.	9,080
2004 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. 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 advanced refunded by the Trust during 2007.	43,586
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.35% with a final payment due July 15, 2034.	6,066
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.30% with a final payment due July 15, 2036.	24,995
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.	7,480
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.41% with a final payment due July 15, 2037.	12,000
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.	7,945
Unamortized bond premium	1,987
Accrued sick leave	456
	<hr/>
Total long-term obligations	123,094
Less portion due within one year	(3,553)
	<hr/>
Amount due in more than one year	\$ 119,541
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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

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

	<u>Gross payments</u>			<u>Anticipated subsidy</u>	<u>Net payments</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
Year ending June 30:					
2009	\$ 3,419	4,534	7,953	1,348	6,605
2010	4,259	4,362	8,621	1,314	7,307
2011	4,390	4,204	8,594	1,276	7,318
2012	4,543	4,038	8,581	1,240	7,341
2013	4,675	3,863	8,538	1,203	7,335
2014-2018	24,920	16,270	41,190	5,102	36,088
2019-2023	22,372	11,353	33,725	3,074	30,651
2024-2028	19,632	7,200	26,832	2,524	24,308
2029-2033	19,715	3,165	22,880	1,910	20,970
2034-2038	12,726	454	13,180	672	12,508
	<u>\$ 120,651</u>	<u>59,443</u>	<u>180,094</u>	<u>19,663</u>	<u>160,431</u>

(f) Discretely Presented Component Units – WRA

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.93%) through 2007, then non-interest bearing.	\$ 1,612
Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.00%) through 2007, then non-interest bearing.	695
Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.15%) through 2007, then non-interest bearing.	79
Note payable, City of Worcester, unsecured, non-interest bearing.	<u>2,405</u>
Total	<u>\$ 4,791</u>

Repayment of these notes is not anticipated before June 30, 2009.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(12) 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 on temporary borrowings for the year ended June 30, 2008 in the general fund, stabilization fund, nonmajor governmental funds, and enterprise funds were \$580, \$168, \$79, and \$492 respectively. At June 30, 2008, the following 4.00% to 4.50% BANs (maturing through November 7, 2008 and January 29, 2009) were outstanding:

	Outstanding as of June 30, 2007	Additions	Reductions	Outstanding as of June 30, 2008
Bond anticipation notes payable:				
School	\$ 4,750	5,180	9,930	—
General	27,695	31,242	49,987	8,950
Water	9,305	8,040	17,345	—
Sewer	6,252	5,378	11,630	—
Airport	165	300	465	—
Golf course	430	100	530	—
Total	<u>\$ 48,597</u>	<u>50,240</u>	<u>89,887</u>	<u>8,950</u>

(b) Subsequent Event

On September 15, 2008, the City issued \$41,290 of general obligation bonds to refinance BANs outstanding June 30, 2008. Accordingly, these amounts have been included as long-term debt at June 30, 2008.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(c) Discretely Presented Component Units – The District

The District issues short-term notes as preliminary financing for major capital additions. Notes payable activity for the year ended June 30, 2008 was as follows:

	Outstanding as of June 30, 2007	Additions	Reductions	Outstanding as of June 30, 2008
Short-term notes	\$ 8,000	14,522	8,000	14,522

(13) Interfund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2008 are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 585 (1)
Internal Service Fund	General Fund	340 (2)

(1) Represents temporary transfer to cover cash deficit.

(2) Represents temporary cash advance.

Transfers and their purposes during the year ended June 30, 2008 were as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

	Governmental funds			Proprietary funds				
	General Fund	Stabilization Fund	Other Governmental Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund	Internal Service Fund
Original budget:								
General fund - to fund debt payments	\$ (10,952)	10,952	-	-	-	-	-	-
General fund - to fund airport operations	(783)	-	-	-	-	783	-	-
General fund - to fund fund golf operations	(102)	-	-	-	-	-	102	-
Enterprises - to fund debt payments	1,388	-	-	(762)	(508)	(87)	(31)	-
Aid to highways Chapter 90 - to fund public works administration	373	-	(373)	-	-	-	-	-
Cemetery reserve - to fund parks and cemetery	74	-	(74)	-	-	-	-	-
Parking - to fund parking operations	278	-	(278)	-	-	-	-	-
Sewer connection fees to fund public works administration	118	-	(118)	-	-	-	-	-
Construction permits - to fund public works administration	145	-	(145)	-	-	-	-	-
Conservation fees - to fund general fund operations	31	-	(31)	-	-	-	-	-
Sale of cemetery lots and graves - to fund parks and cemetery operations	44	-	(44)	-	-	-	-	-
	(9,386)	10,952	(1,063)	(762)	(508)	696	71	-
Subsequent transfers:								
General fund - to fund debt payments	(239)	239	-	-	-	-	-	-
General fund - to fund airport operations	(518)	-	-	-	-	518	-	-
Parking - to fund debt payments	252	-	(252)	-	-	-	-	-
General fund - to replenish construction fee reserve	(10)	-	10	-	-	-	-	-
General fund - to fund police auxiliary services	(8)	-	8	-	-	-	-	-
Passenger facility fees - to fund airport operations	-	-	(31)	-	-	31	-	-
Sewer connection fees - to fund sewer operations	-	-	(494)	-	494	-	-	-
Damage settlements - to reimburse for damage to city property	113	-	(113)	-	-	-	-	-
Premium on loans - to fund bond issuance costs	236	-	(236)	-	-	-	-	-
Real estate sales - to fund land acquisitions	117	-	(117)	-	-	-	-	-
Communications revolving - to fund communication operation	85	-	(85)	-	-	-	-	-
Auditorium revolving - to fund debt service	34	-	(34)	-	-	-	-	-
DCU marketing - to fund general operations	1,061	-	(1,061)	-	-	-	-	-
DCU Skybridge - to fund general operations	788	-	(788)	-	-	-	-	-
Health trust - to fund general operations	1,122	-	-	-	-	-	-	(1,122)
Total	\$ (6,353)	11,191	(4,256)	(762)	(14)	1,245	71	(1,122)

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(14) Environmental Remediation – The District

Plant Improvements

In settlement of its appeal of its National Pollutant Discharge Elimination System (NPDES) permit, the District entered into a consent agreement with the U.S. Environmental Protection Agency to implement a plant improvement plan that will achieve more stringent discharge standards within the coming 15 years. The plan was developed through District facilities planning, completed to identify the most cost-effective approach to modernizing the District's 30-year-old plant and achieving revised standards for the Blackstone River.

The plan envisions completion of design and construction of the facilities needed to achieve new standards by August 2009 with design and construction of other facilities (solids management facilities and future capacities) occurring on an as-needed basis. This results on a four phased approach to construction of the facilities.

Phase I	Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. \$67,800)
Phase II	Advanced treatment facilities required for projected 2010 flows. (approx. \$85,400)
Phase III	Solids management facilities. (approx. \$25,000)
Phase IV	Facilities required for future flows (beyond 2010). (approx. \$15,000)

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$193,200. In accordance with the District's agreement with EPA, Phase I was essentially completed in 2008, and Phase II by August 2009. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III can be completed as needed, or as finances permit. Phase IV facilities would only be completed if sufficient regional growth occurs to warrant their construction.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2008, the District has spent and capitalized approximately \$124,000, including capitalized interest of \$5,329.

(15) 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.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$100 per incident. 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

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 \$150 for each participating member of the self-insured health plans. Between 10% and 25% of employee contributions are made depending on the calculated contribution rate of the plan involved. The remainder of such costs is funded by the City. The City provides \$5,000 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

Liabilities for self-insured judgments and claims are recorded in the entity wide 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 for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Health claims, beginning of year	\$ 3,251	2,905
Incurred claims	80,074	55,383
Payments of claims attributable to events of the current and prior fiscal years:		
Health	<u>(78,613)</u>	<u>(55,037)</u>
Health claims, end of year	<u>\$ 4,712</u>	<u>3,251</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

Changes in judgments and claims liability for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Judgments and claims, beginning of year	\$ 15,360	14,065
Additions to estimated claims liability	2,943	3,227
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(425)	(275)
Workers' compensation	<u>(1,702)</u>	<u>(1,657)</u>
Judgments and claims, end of year	<u>\$ 16,176</u>	<u>15,360</u>

Judgments and claims consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Workers' compensation	\$ 16,076	14,835
Court judgments and legal settlements	<u>100</u>	<u>525</u>
	<u>\$ 16,176</u>	<u>15,360</u>

The fiscal 2008 liability for judgments and claims consist of governmental and business-type activities in the amount of \$15,529 and \$647, 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, 2008

(In thousands of dollars)

(16) Fund Deficits and Appropriation Deficits

Fund Deficits

The following funds had deficits at June 30, 2008:

Capital Projects Funds:		
Franklin St. Fire Station	\$	103
Special Revenue Funds:		
DCU Center		1,711

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations for snow and ice removal and other state and regional charges. These over-expenditures will be funded by taxes and available funds during fiscal year 2009.

(17) Contingencies

In January 2000, the Massachusetts Port Authority (Massport) took over the operation of the City's airport. This was a five-year agreement in which Massport also assumed a share of any airport-operating deficit. During fiscal 2005, Massport offset 100% of the operating deficit, exclusive of debt service. During fiscal year 2005, this contract was renewed for a 3-year period and has since been extended through December 2008. Massport continued to pay 100% of the deficit in fiscal 2005. This percentage dropped to 85% in fiscal 2006 and dropped further to 68% in fiscal 2007 and increased to 79% in 2008. The carrying value of the airports' net assets could be impaired without the continuing support of Massport.

On August 6, 2008, the United States Department of Agriculture (USDA) advance team confirmed that Asian Longhorned Beetles (ALB) had been found in the City. The ALB is a foreign, invasive, boring insect that poses a serious threat to certain species of hardwood trees not only in Worcester but in the entire region if not eradicated. The eradication program will be a multi-year and costly process that involves the cutting down, stump grinding, chipping and replacement of thousands of trees on both public and private property in the City and some surrounding towns. The costs associated with the ALB eradication cannot be determined at this time. The City is working along with its two United States Senators and its Congressman in an effort to receive a 100% federal commitment to cover all costs associated with this undertaking.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2008

(In thousands of dollars)

(18) Prior Period Reclassifications

The beginning fund balances of the CitySquare and nonmajor governmental funds have been restated from zero and \$54,239,755, respectively, to \$18,925,645 and \$35,314,110, respectively, to reflect the reclassification of the CitySquare fund from a nonmajor governmental fund to a major fund.

(19) Implementation of GASB Pronouncements

The City implemented the following GASB pronouncements during fiscal year 2008:

Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This pronouncement requires the recording of an OPEB liability that relates to the City's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the City's OPEB liability and its calculation are provided at Note 6.

Statement #48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The implementation of this Statement had no impact on the financial statements.

Statement #50, Pension Disclosures. This Statement enhances pension disclosures in the notes to financial statements (see pages 56-59) and RSI (see pages 97-98) by state and local government employers that provide pension benefits.

(20) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented during fiscal year 2009. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented during fiscal year 2010. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented during fiscal year 2009. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #53, Accounting and Financial Reporting for Derivative Instruments, which is required to be implemented during fiscal year 2010. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2008

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 189,378,167	187,431,381	189,429,802	1,998,421
Motor vehicle excise taxes	12,400,000	12,400,000	12,772,437	372,437
Penalties and interest on taxes:				
Property taxes	896,000	896,000	1,032,721	136,721
Tax titles	502,000	502,000	361,605	(140,395)
Motor vehicle excise	844,000	844,000	987,662	143,662
Special assessments	30,000	30,000	31,955	1,955
	<u>2,272,000</u>	<u>2,272,000</u>	<u>2,413,943</u>	<u>141,943</u>
Other taxes and in-lieu payments:				
In lieu of taxes	1,400,000	1,400,000	1,521,378	121,378
Special assessments	150,000	150,000	276,591	126,591
Hotel/motel tax	735,000	735,000	758,192	23,192
	<u>2,285,000</u>	<u>2,285,000</u>	<u>2,556,161</u>	<u>271,161</u>
Licenses and permits:				
Clerk	160,050	160,050	158,662	(1,388)
Code Inspection	2,160,250	2,160,250	2,619,645	459,395
Fire	194,660	194,660	246,215	51,555
Health	506,230	506,230	491,803	(14,427)
License Commission:				
Liquor licenses	788,700	788,700	792,040	3,340
Other	73,100	73,100	72,164	(936)
Police	78,200	78,200	81,276	3,076
Public Works	339,060	339,060	264,098	(74,962)
	<u>4,300,250</u>	<u>4,300,250</u>	<u>4,725,903</u>	<u>425,653</u>
Intergovernmental:				
State local aid	236,660,235	236,831,627	237,631,701	800,074
State school construction aid	17,271,657	17,700,336	17,305,905	(394,431)
School related Federal Medicare	4,775,000	4,775,000	5,631,897	856,897
Federal Medicare Part D	1,500,000	1,500,000	1,554,842	54,842
Retroactive State school construction aid	522,685	522,685	548,097	25,412
	<u>260,729,577</u>	<u>261,329,648</u>	<u>262,672,442</u>	<u>1,342,794</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2008

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	\$ 2,000,000	2,000,000	1,940,576	(59,424)
Court fines	1,315,000	1,315,000	1,367,332	52,332
	<u>3,315,000</u>	<u>3,315,000</u>	<u>3,307,908</u>	<u>(7,092)</u>
Investment earnings	2,415,000	2,415,000	1,806,011	(608,989)
Charges for services:				
Assessor	21,300	21,300	14,419	(6,881)
Auditorium	-	60,000	113,548	53,548
Clerk	660,000	660,000	611,651	(48,349)
Cable TV	25,000	25,000	23,962	(1,038)
Communications	1,200	1,200	271	(929)
Elder Affairs	30,500	30,500	40,984	10,484
Election Commission	-	-	685	685
Fire	301,800	301,800	239,272	(62,528)
Health	108,950	108,950	98,519	(10,431)
Hope Cemetery	210,000	210,000	209,854	(146)
Human Resources	10,000	10,000	-	(10,000)
Library	63,500	63,500	57,379	(6,121)
Messenger	7,000	7,000	6,239	(761)
Parks	20,000	20,000	47,371	27,371
Planning	170,500	170,500	114,134	(56,366)
Police	502,300	502,300	511,233	8,933
Public Works	-	-	4,415	4,415
Purchasing	174,000	174,000	171,032	(2,968)
Schools	-	-	24,051	24,051
Treasurer	115,400	115,400	21,098	(94,302)
Trash bags	4,300,000	4,300,000	3,917,476	(382,524)
Trailer coach park	4,300	4,300	4,320	20
	<u>6,725,750</u>	<u>6,785,750</u>	<u>6,231,913</u>	<u>(553,837)</u>
Miscellaneous	656,000	656,000	773,100	117,100
Total revenues	<u>484,476,744</u>	<u>483,190,029</u>	<u>486,689,620</u>	<u>3,499,591</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2008

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Council:				
Salaries	\$ 298,776	214,462	214,462	-
Ordinary maintenance	26,800	26,709	26,709	-
	<u>325,576</u>	<u>241,171</u>	<u>241,171</u>	<u>-</u>
Mayor:				
Salaries	90,854	87,380	87,380	-
Ordinary maintenance	5,205	5,029	5,029	-
	<u>96,059</u>	<u>92,409</u>	<u>92,409</u>	<u>-</u>
Manager:				
Salaries:				
Executive office	668,133	696,797	696,797	-
Planning & Development	770,867	843,029	843,029	-
Ordinary maintenance:				
Executive office	170,680	160,340	160,340	-
Planning & Development	82,900	104,612	104,612	-
Tourism promotion	300,000	500,000	500,000	-
	<u>1,992,580</u>	<u>2,304,778</u>	<u>2,304,778</u>	<u>-</u>
Auditor:				
Salaries	603,550	608,674	608,674	-
Ordinary maintenance	82,152	82,099	82,099	-
	<u>685,702</u>	<u>690,773</u>	<u>690,773</u>	<u>-</u>
Administration & Finance:				
Salaries	478,309	464,515	464,515	-
Ordinary maintenance	102,386	83,356	83,356	-
	<u>580,695</u>	<u>547,871</u>	<u>547,871</u>	<u>-</u>
Treasurer and Collector:				
Salaries	1,298,802	1,254,644	1,254,644	-
Ordinary maintenance	634,645	976,286	976,286	-
	<u>1,933,447</u>	<u>2,230,930</u>	<u>2,230,930</u>	<u>-</u>
Assessor:				
Salaries	662,335	571,725	571,725	-
Ordinary maintenance	25,373	25,915	25,915	-
	<u>687,708</u>	<u>597,640</u>	<u>597,640</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2008

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	992	992	-
	1,200	992	992	-
Law:				
Salaries	810,643	758,747	758,747	-
Ordinary maintenance	117,842	108,005	108,005	-
Casualty insurance	109,044	88,175	88,175	-
Court judgments	352,750	351,821	351,821	-
	1,390,279	1,306,748	1,306,748	-
Clerk:				
Salaries	589,218	618,143	618,143	-
Ordinary maintenance	21,000	26,663	26,663	-
	610,218	644,806	644,806	-
Messenger:				
Salaries	131,381	133,140	133,140	-
Ordinary maintenance	406,564	375,833	375,833	-
	537,945	508,973	508,973	-
Election Commission:				
Salaries	412,530	401,227	401,227	-
Ordinary maintenance	86,850	113,294	113,294	-
	499,380	514,521	514,521	-
Purchasing:				
Salaries	253,739	267,180	267,180	-
Ordinary maintenance	14,532	12,221	12,221	-
	268,271	279,401	279,401	-
Technical services:				
Salaries	1,763,299	1,827,939	1,827,939	-
Ordinary maintenance	1,039,010	1,020,317	1,020,317	-
	2,802,309	2,848,256	2,848,256	-
Human Resources:				
Salaries	826,901	774,396	774,396	-
Ordinary maintenance	218,510	201,101	201,101	-
	1,045,411	975,497	975,497	-
Total general government	13,456,780	13,784,766	13,784,766	-

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2008
 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	\$ 37,312,748	37,917,518	37,917,518	-
Ordinary maintenance	1,959,750	2,193,193	2,193,193	-
	<u>39,272,498</u>	<u>40,110,711</u>	<u>40,110,711</u>	<u>-</u>
Fire:				
Salaries	32,063,038	32,777,663	32,777,663	-
Ordinary maintenance	1,253,292	1,362,235	1,362,235	-
Capital	25,000	30,436	30,436	-
	<u>33,341,330</u>	<u>34,170,334</u>	<u>34,170,334</u>	<u>-</u>
Code Inspection:				
Salaries	1,538,521	1,586,549	1,586,549	-
Ordinary maintenance	52,100	68,990	68,990	-
	<u>1,590,621</u>	<u>1,655,539</u>	<u>1,655,539</u>	<u>-</u>
Communications:				
Salaries	2,291,924	2,289,707	2,289,707	-
Ordinary maintenance	396,147	349,855	349,855	-
	<u>2,688,071</u>	<u>2,639,562</u>	<u>2,639,562</u>	<u>-</u>
Total public safety	<u>76,892,520</u>	<u>78,576,146</u>	<u>78,576,146</u>	<u>-</u>
Health and human services:				
Health				
Salaries	2,087,943	2,009,406	2,009,406	-
Ordinary maintenance	939,220	1,052,151	1,052,151	-
	<u>3,027,163</u>	<u>3,061,557</u>	<u>3,061,557</u>	<u>-</u>
Elder Affairs:				
Salaries	346,934	341,961	341,961	-
Ordinary maintenance	346,833	372,796	372,796	-
	<u>693,767</u>	<u>714,757</u>	<u>714,757</u>	<u>-</u>
Total health and human services	<u>3,720,930</u>	<u>3,776,314</u>	<u>3,776,314</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2008
 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:				
Salaries	\$ 158,648,734	158,177,074	158,177,074	-
Ordinary maintenance	38,468,017	38,798,598	38,798,598	-
Capital	245,000	265,138	265,138	-
Total education	197,361,751	197,240,810	197,240,810	-
Libraries:				
Public Library:				
Salaries	3,136,125	3,120,101	3,120,101	-
Ordinary maintenance	1,293,469	1,293,464	1,293,464	-
	4,429,594	4,413,565	4,413,565	-
Regional Library:				
Salaries and benefits	64,790	65,705	65,705	-
Ordinary maintenance	54,865	53,950	53,950	-
	119,655	119,655	119,655	-
Total libraries	4,549,249	4,533,220	4,533,220	-
Public works:				
Department of Public Works:				
Salaries	6,070,667	5,737,297	5,737,297	-
Ordinary maintenance	5,939,282	5,454,325	5,454,325	-
Snow and ice removal	2,048,000	3,976,942	5,051,150	(1,074,208)
Street lighting	2,997,618	2,997,618	2,997,618	-
	17,055,567	18,166,182	19,240,390	(1,074,208)
Union Station:				
Ordinary maintenance	662,560	880,460	880,460	-
Total public works	17,718,127	19,046,642	20,120,850	(1,074,208)

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2008

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		
Culture and recreation:				
Parks and Cemetery				
Salaries	\$ 3,134,063	3,034,309	3,034,309	-
Ordinary maintenance	714,735	714,958	714,958	-
	<u>3,848,798</u>	<u>3,749,267</u>	<u>3,749,267</u>	<u>-</u>
Auditorium:				
Ordinary maintenance	117,716	117,716	117,716	-
	<u>117,716</u>	<u>117,716</u>	<u>117,716</u>	<u>-</u>
Total culture and recreation	<u>3,966,514</u>	<u>3,866,983</u>	<u>3,866,983</u>	<u>-</u>
Intergovernmental:				
County assessment	147,071	147,071	147,071	-
Health insurance - retirees	6,006	6,006	6,006	-
Regional planning	39,592	39,592	39,592	-
Regional Transit Authority	2,146,536	2,146,536	2,240,269	(93,733)
Air pollution control	36,136	36,136	36,136	-
Charter Schools and school choice	20,025,049	19,212,625	19,272,618	(59,993)
School choice	-	1,441,289	1,611,775	(170,486)
Special education - Chapter 766	186,151	186,151	149,514	36,637
Registry parking ticket surcharge	452,080	452,080	410,940	41,140
	<u>23,038,621</u>	<u>23,667,486</u>	<u>23,913,921</u>	<u>(246,435)</u>
Debt service:				
Principal	19,241,501	19,638,519	19,638,519	-
Interest	8,715,620	9,091,977	9,091,977	-
Pension obligation bond:				
Municipal departments:				
Principal	5,640,000	5,640,000	5,640,000	-
Interest	5,113,126	5,113,126	5,113,126	-
Enterprise funds (interest)	1,388,429	1,388,429	1,388,429	-
Public schools (interest)	4,456,237	4,456,238	4,456,238	-
	<u>44,554,913</u>	<u>45,328,289</u>	<u>45,328,289</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2008
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		
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	\$ 14,041,060	14,068,310	14,068,310	-
Public Schools	5,523,606	5,523,606	5,523,606	-
Noncontributory pensions:				
Municipal departments	182,727	257,836	257,836	-
Public Schools	358,295	324,625	324,625	-
	<u>20,105,688</u>	<u>20,174,377</u>	<u>20,174,377</u>	<u>-</u>
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	1,054,989	1,173,417	1,173,417	-
Public Schools	219,900	366,440	366,440	-
Public safety injured on duty	362,630	418,626	418,626	-
Unemployment compensation:				
Municipal departments	100,000	96,428	96,428	-
Public Schools	373,674	501,855	501,855	-
	<u>2,111,193</u>	<u>2,556,766</u>	<u>2,556,766</u>	<u>-</u>
Group insurance:				
Municipal departments	27,268,331	24,542,603	24,542,603	-
Public Schools	39,715,569	39,797,167	39,797,167	-
	<u>66,983,900</u>	<u>64,339,770</u>	<u>64,339,770</u>	<u>-</u>
Total fringe benefits	<u>89,200,781</u>	<u>87,070,913</u>	<u>87,070,913</u>	<u>-</u>
Contingency	630,000	-	-	-
Total expenditures	<u>475,090,186</u>	<u>476,891,569</u>	<u>478,212,212</u>	<u>(1,320,643)</u>
Excess of revenues over expenditures	<u>9,386,558</u>	<u>6,298,460</u>	<u>8,477,408</u>	<u>2,178,948</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2008
 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		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,451,053	6,260,065	6,260,065	-
Transfers out	(11,837,611)	(12,612,759)	(12,612,759)	-
Premium on loans	-	-	202,430	202,430
Total other financing sources (uses)	<u>(9,386,558)</u>	<u>(6,352,694)</u>	<u>(6,150,264)</u>	<u>202,430</u>
Net changes in fund balance	-	(54,234)	2,327,144	2,381,378
Budgetary fund balance - beginning	8,269,707	8,269,707	8,269,707	-
Budgetary fund balance - ending	<u>\$ 8,269,707</u>	<u>8,215,473</u>	<u>10,596,851</u>	<u>2,381,378</u>

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan Schedules

June 30, 2008

(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)

	(a)	(b)	(b - a) Unfunded	(a/b)	(c)	(b - a)/c UAAL as a Percent of
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio (%)	Covered Payroll	Covered Payroll (%)
1/1/2003	\$ 554,190	715,856	161,665	77.42	\$ 142,803	113.21
1/1/2004	577,123	743,570	166,447	77.62	138,797	119.92
1/1/2005	606,100	771,948	165,849	78.52	147,127	112.73
1/1/2006	644,017	806,957	162,941	79.81	145,831	111.73
1/1/2007	716,797	837,608	120,811	85.58	152,838	79.05
1/1/2008	759,410	889,924	130,514	85.33	156,585	83.35

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2002	\$ 12,957	100
2003	18,928	100
2004	20,150	100
2005	23,579	106
2006	23,355	100
2007	24,166	100

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information – Pension Plan Schedules
 June 30, 2008
 (In thousands of dollars)

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

CITY SHARE OF WRS ARC

<u>Year Ended</u> <u>June 30</u>	<u>ARC</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed (%)</u>	<u>City ARC as a</u> <u>Percentage of</u> <u>WRS ARC (%)</u>
2003	\$ 11,606	100	89.6%
2004	17,161	100	90.7%
2005	18,110	100	89.9%
2006	21,526	100	91.3%
2007	21,241	100	90.9%
2008	22,089	100	91.4%

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2008

(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 2008, the original general fund expenditure budget was increased by \$1,801.

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, 2008:

	<u>Revenues</u>	<u>Expenditures</u>	<u>OFS/ OFU Net</u>	<u>Net Change in Fund Balance</u>
General fund:				
As reported on a budgetary basis	\$ 486,689	478,212	(6,150)	2,327
MTRS on-behalf payments	46,376	46,376	—	—
COLA on-behalf payments	2,427	2,427	—	—
Adjustment of revenues to a modified basis	(106)	—	—	(106)
Adjustment of expenditures to a modified basis	—	339	—	(339)
	<u>—</u>	<u>339</u>	<u>—</u>	<u>(339)</u>
As reported on a GAAP basis	\$ <u>535,386</u>	<u>527,354</u>	<u>(6,150)</u>	<u>1,882</u>

The major differences between the budgetary basis and the GAAP basis are revenues are recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP); claims 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.

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2008

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 specific revenues that are legally restricted to expenditures for a particular purpose.

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

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 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.

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

School Grants – accounts for school programs funded by intergovernmental revenue.

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 the acquisition and construction of major capital facilities other than those financed by proprietary funds.

DCU Center Construction – accounts for improvements to the City’s civic center.

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2008

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

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

Franklin St. Fire Station – accounts for the financial resources used for Franklin St. Fire Station construction.

Other – accounts for various small construction projects.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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.

Other – accounts for various trusts.

Enterprise Funds – Separate schedules of revenues, expenditures and changes in fund balance – budget and actual – budgetary basis are provided for the airport, golf (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 – Three 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, 2008

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ 934,351	238,013	53,364	210,852	375,255
Restricted cash and cash equivalents	—	—	—	—	—
Restricted investments	—	—	—	—	—
Receivables	—	—	370,398	—	9,355
Due from other governments	—	—	—	—	—
Total assets	<u>\$ 934,351</u>	<u>238,013</u>	<u>423,762</u>	<u>210,852</u>	<u>384,610</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	93,585	—	5,515	30,604
Retainage payable	—	—	—	—	—
Temporary loans	—	—	—	—	—
Deferred revenue	—	—	370,398	—	9,355
Other liabilities	2,645,110	—	—	—	—
Total liabilities	<u>2,645,110</u>	<u>93,585</u>	<u>370,398</u>	<u>5,515</u>	<u>39,959</u>
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	(1,710,759)	144,428	53,364	205,337	344,651
Capital projects funds	—	—	—	—	—
Expendable permanent funds	—	—	—	—	—
Total fund balances	<u>(1,710,759)</u>	<u>144,428</u>	<u>53,364</u>	<u>205,337</u>	<u>344,651</u>
Total liabilities and fund balances	<u>\$ 934,351</u>	<u>238,013</u>	<u>423,762</u>	<u>210,852</u>	<u>384,610</u>

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	School Grants	City Grants	Subtotal
1,080,046	10,122,045	177,719	1,792,872	8,952,231	7,162,441	31,099,189
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	90,301	—	—	—	—	470,054
—	—	106,092	—	—	572,805	678,897
<u>1,080,046</u>	<u>10,212,346</u>	<u>283,811</u>	<u>1,792,872</u>	<u>8,952,231</u>	<u>7,735,246</u>	<u>32,248,140</u>
28,094	—	157,872	429,129	360,101	360,370	1,465,270
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	90,301	—	—	—	—	470,054
—	—	—	—	—	—	2,645,110
<u>28,094</u>	<u>90,301</u>	<u>157,872</u>	<u>429,129</u>	<u>360,101</u>	<u>360,370</u>	<u>4,580,434</u>
—	—	—	—	—	—	—
—	—	125,939	1,363,743	8,592,130	7,374,876	17,456,688
1,051,952	10,122,045	—	—	—	—	10,211,018
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>1,051,952</u>	<u>10,122,045</u>	<u>125,939</u>	<u>1,363,743</u>	<u>8,592,130</u>	<u>7,374,876</u>	<u>27,667,706</u>
<u>1,080,046</u>	<u>10,212,346</u>	<u>283,811</u>	<u>1,792,872</u>	<u>8,952,231</u>	<u>7,735,246</u>	<u>32,248,140</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Capital Projects Funds				
	DCU Center Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Assets:					
Cash and cash equivalents	\$ 74,069	829,432	2,201	84,053	5,927
Restricted cash and cash equivalents	504,690	4,430,901	2,530,115	881,598	4,162,077
Restricted investments	—	—	—	—	—
Receivables	—	—	—	—	—
Due from other governments	—	184,527	—	—	—
Total assets	\$ 578,759	5,444,860	2,532,316	965,651	4,168,004
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	451,033	189,105	84,053	5,927
Retainage payable	—	84,458	57,280	10,108	60,927
Temporary loans	—	—	1,450,000	—	—
Deferred revenue	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total liabilities	—	535,491	1,696,385	94,161	66,854
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	578,759	4,909,369	835,931	871,490	4,101,150
Expendable permanent funds	—	—	—	—	—
Total fund balances	578,759	4,909,369	835,931	871,490	4,101,150
Total liabilities and fund balances	\$ 578,759	5,444,860	2,532,316	965,651	4,168,004

Capital Projects Funds

Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
255,576	1,524,627	444	714,998	3,491,327
1,829,616	1,137,725	640,397	510,140	16,627,259
—	—	—	—	—
—	—	—	—	—
—	—	—	—	184,527
<u>2,085,192</u>	<u>2,662,352</u>	<u>640,841</u>	<u>1,225,138</u>	<u>20,303,113</u>
127,338	1,283,698	573,457	620,030	3,334,641
60,716	644,229	170,290	10,329	1,098,337
—	—	—	—	1,450,000
—	—	—	—	—
—	—	—	—	—
<u>188,054</u>	<u>1,927,927</u>	<u>743,747</u>	<u>630,359</u>	<u>5,882,978</u>
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
1,897,138	734,425	(102,906)	594,779	14,420,135
—	—	—	—	—
<u>1,897,138</u>	<u>734,425</u>	<u>(102,906)</u>	<u>594,779</u>	<u>14,420,135</u>
<u>2,085,192</u>	<u>2,662,352</u>	<u>640,841</u>	<u>1,225,138</u>	<u>20,303,113</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Permanent Funds					
Assets:	Hope Cemetery	Health Department	Libraries	Schools	Parks
Cash and cash equivalents	\$ 179,960	99,021	697,880	52,970	19,078
Restricted cash and cash equivalents	—	—	—	—	—
Restricted investments	2,231,803	1,829,311	6,401,222	503,752	305,511
Receivables	—	—	—	—	—
Due from other governments	—	—	—	—	—
Total assets	\$ 2,411,763	1,928,332	7,099,102	556,722	324,589
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	1,040	27,133	—	—
Retainage payable	—	—	—	—	—
Temporary loans	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total liabilities	—	1,040	27,133	—	—
Fund balances:					
Reserved for:					
Nonexpendable permanent funds	2,365,023	1,924,798	7,036,185	530,195	321,377
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	—	—	—	—	—
Expendable permanent funds	46,740	2,494	35,784	26,527	3,212
Total fund balances	2,411,763	1,927,292	7,071,969	556,722	324,589
Total liabilities and fund balances	\$ 2,411,763	1,928,332	7,099,102	556,722	324,589

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
333	22,256	28,295	435	1,100,228	35,690,744
—	—	—	—	—	16,627,259
6,390	327,416	402,845	7,963	12,016,213	12,016,213
—	—	—	—	—	470,054
—	—	—	—	—	863,424
<u>6,723</u>	<u>349,672</u>	<u>431,140</u>	<u>8,398</u>	<u>13,116,441</u>	<u>65,667,694</u>
—	2,390	—	—	30,563	4,830,474
—	—	—	—	—	1,098,337
—	—	—	—	—	1,450,000
—	—	—	—	—	470,054
—	—	—	—	—	2,645,110
—	<u>2,390</u>	—	—	<u>30,563</u>	<u>10,493,975</u>
6,723	344,469	423,827	8,378	12,960,975	12,960,975
—	—	—	—	—	17,456,688
—	—	—	—	—	10,211,018
—	—	—	—	—	14,420,135
—	2,813	7,313	20	124,903	124,903
<u>6,723</u>	<u>347,282</u>	<u>431,140</u>	<u>8,398</u>	<u>13,085,878</u>	<u>55,173,719</u>
<u>6,723</u>	<u>349,672</u>	<u>431,140</u>	<u>8,398</u>	<u>13,116,441</u>	<u>65,667,694</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, 2008

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ —	8,643,750	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	1,395,120	800,279	6,142,992	—	394,237
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	<u>1,395,120</u>	<u>9,444,029</u>	<u>6,142,992</u>	<u>—</u>	<u>394,237</u>
Expenditures:					
Current:					
General government	—	—	—	—	189,784
Public safety	—	—	6,098,759	—	26,632
Health and human services	—	—	—	—	8,756
Education	—	9,900,571	—	—	—
Libraries	—	—	—	—	—
Public works	—	—	—	—	50,217
Culture and recreation	628,271	—	—	1,086,909	—
Community development	—	—	—	—	—
Debt service:					
Principal	257,566	—	—	619,357	—
Interest	156,179	—	—	272,013	43,103
Total expenditures	<u>1,042,016</u>	<u>9,900,571</u>	<u>6,098,759</u>	<u>1,978,279</u>	<u>318,492</u>
Excess (deficiency) of revenues over expenditures	<u>353,104</u>	<u>(456,542)</u>	<u>44,233</u>	<u>(1,978,279)</u>	<u>75,745</u>
Other financing sources (uses):					
Transfers in	—	—	7,933	1,743,112	—
Transfers (out)	(1,060,885)	—	—	—	(129,291)
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	—	—	—	—	—
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	<u>(1,060,885)</u>	<u>—</u>	<u>7,933</u>	<u>1,743,112</u>	<u>(129,291)</u>
Net change in fund balances	<u>(707,781)</u>	<u>(456,542)</u>	<u>52,166</u>	<u>(235,167)</u>	<u>(53,546)</u>
Fund balances – beginning	<u>(1,002,978)</u>	<u>600,970</u>	<u>1,198</u>	<u>440,504</u>	<u>398,197</u>
Fund balances – ending	<u>\$ (1,710,759)</u>	<u>144,428</u>	<u>53,364</u>	<u>205,337</u>	<u>344,651</u>

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	School Grants	City Grants	Subtotal
125,186	49,865	4,915,895	5,222,255	41,263,214	15,529,201	75,749,366
—	—	—	—	—	8,507	8,507
1,273,578	4,846,950	21,924	—	—	—	14,875,080
—	—	—	—	2,241,497	2,709,183	4,950,680
—	240,315	—	—	—	—	240,315
1,398,764	5,137,130	4,937,819	5,222,255	43,504,711	18,246,891	95,823,948
—	—	—	—	—	1,441,036	1,630,820
—	—	—	—	—	2,934,450	9,059,841
—	—	—	5,463,490	—	10,191,242	15,663,488
1,328,734	—	—	—	46,837,003	—	58,066,308
—	—	—	—	—	797,026	797,026
—	—	—	—	—	325,287	375,504
—	—	—	—	—	1,373,751	3,088,931
—	—	3,969,772	—	—	—	3,969,772
—	—	270,108	—	—	—	1,147,031
—	—	170,001	—	—	309,639	950,935
1,328,734	—	4,409,881	5,463,490	46,837,003	17,372,431	94,749,656
70,030	5,137,130	527,938	(241,235)	(3,332,292)	874,460	1,074,292
—	—	—	10,300	—	—	1,761,345
—	(3,710,241)	(448,990)	—	(550,000)	(217,520)	(6,116,927)
—	220,087	—	—	—	—	220,087
—	—	—	—	—	—	—
—	1,365,914	—	—	—	—	1,365,914
—	(2,124,240)	(448,990)	10,300	(550,000)	(217,520)	(2,769,581)
70,030	3,012,890	78,948	(230,935)	(3,882,292)	656,940	(1,695,289)
981,922	7,109,155	46,991	1,594,678	12,474,422	6,717,936	29,362,995
1,051,952	10,122,045	125,939	1,363,743	8,592,130	7,374,876	27,667,706

(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, 2008

	Capital Projects Funds				
	DCU Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	\$ —	4,233,201	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	<u>—</u>	<u>4,233,201</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:					
Current:					
General government	—	—	1,927,543	614,214	—
Public safety	—	—	451,192	1,909,802	—
Health and human services	—	—	99,565	45,998	—
Education	—	—	3,511,364	426,242	2,530,081
Libraries	—	—	69,387	81,017	—
Public works	—	10,448,135	290,992	688,339	—
Culture and recreation	875,488	—	14,647	237,916	—
Community development	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	<u>875,488</u>	<u>10,448,135</u>	<u>6,364,690</u>	<u>4,003,528</u>	<u>2,530,081</u>
Excess (deficiency) of revenues over expenditures	<u>(875,488)</u>	<u>(6,214,934)</u>	<u>(6,364,690)</u>	<u>(4,003,528)</u>	<u>(2,530,081)</u>
Other financing sources (uses):					
Transfers in	—	—	640,000	—	—
Transfers (out)	(787,721)	(388,000)	—	—	—
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	1,820,000	13,140,000	7,360,000	6,857,000	9,930,000
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	<u>1,032,279</u>	<u>12,752,000</u>	<u>8,000,000</u>	<u>6,857,000</u>	<u>9,930,000</u>
Net change in fund balances	<u>156,791</u>	<u>6,537,066</u>	<u>1,635,310</u>	<u>2,853,472</u>	<u>7,399,919</u>
Fund balances – beginning	<u>421,968</u>	<u>(1,627,697)</u>	<u>(799,379)</u>	<u>(1,981,982)</u>	<u>(3,298,769)</u>
Fund balances – ending	<u>\$ 578,759</u>	<u>4,909,369</u>	<u>835,931</u>	<u>871,490</u>	<u>4,101,150</u>

Capital Projects Funds

<u>Parks Improvements</u>	<u>Union Station Garage</u>	<u>Franklin St. Fire Station</u>	<u>Other</u>	<u>Subtotal</u>
—	12,862,158	1,999,999	—	19,095,358
—	—	—	543	543
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>—</u>	<u>12,862,158</u>	<u>1,999,999</u>	<u>543</u>	<u>19,095,901</u>
—	—	—	—	2,541,757
—	—	3,944,801	—	6,305,795
—	—	—	—	145,563
—	—	—	—	6,467,687
—	—	—	—	150,404
—	15,530,945	—	1,639,572	28,597,983
1,056,192	—	—	—	2,184,243
—	—	—	793,906	793,906
—	—	—	—	—
—	—	—	—	—
<u>1,056,192</u>	<u>15,530,945</u>	<u>3,944,801</u>	<u>2,433,478</u>	<u>47,187,338</u>
<u>(1,056,192)</u>	<u>(2,668,787)</u>	<u>(1,944,802)</u>	<u>(2,432,935)</u>	<u>(28,091,437)</u>
785,000	—	—	658,104	2,083,104
(75,000)	—	(658,104)	—	(1,908,825)
—	—	—	—	—
2,060,000	4,650,000	2,500,000	1,750,000	50,067,000
—	—	—	—	—
<u>2,770,000</u>	<u>4,650,000</u>	<u>1,841,896</u>	<u>2,408,104</u>	<u>50,241,279</u>
1,713,808	1,981,213	(102,906)	(24,831)	22,149,842
183,330	(1,246,788)	—	619,610	(7,729,707)
<u>1,897,138</u>	<u>734,425</u>	<u>(102,906)</u>	<u>594,779</u>	<u>14,420,135</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, 2008

	Permanent Funds				
	<u>Hope Cemetery</u>	<u>Health Department</u>	<u>Libraries</u>	<u>Schools</u>	<u>Parks</u>
Revenues:					
Intergovernmental	\$ —	—	—	—	—
Investment earnings (losses)	(218,727)	(171,418)	41,638	(49,326)	(28,925)
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	40,371	—	32,754	2,520	—
Miscellaneous	—	—	—	—	—
Total revenues	<u>(178,356)</u>	<u>(171,418)</u>	<u>74,392</u>	<u>(46,806)</u>	<u>(28,925)</u>
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Health and human services	—	62,446	—	—	—
Education	—	—	—	94,715	—
Libraries	—	—	145,178	—	—
Public works	—	—	—	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	<u>—</u>	<u>62,446</u>	<u>145,178</u>	<u>94,715</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(178,356)</u>	<u>(233,864)</u>	<u>(70,786)</u>	<u>(141,521)</u>	<u>(28,925)</u>
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers (out)	(74,213)	—	—	—	—
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	—	—	—	—	—
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	<u>(74,213)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(252,569)</u>	<u>(233,864)</u>	<u>(70,786)</u>	<u>(141,521)</u>	<u>(28,925)</u>
Fund balances -- beginning	<u>2,664,332</u>	<u>2,161,156</u>	<u>7,142,755</u>	<u>698,243</u>	<u>353,514</u>
Fund balances -- ending	<u>\$ 2,411,763</u>	<u>1,927,292</u>	<u>7,071,969</u>	<u>556,722</u>	<u>324,589</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
—	—	—	—	—	94,844,724
(606)	(33,953)	(13,650)	(873)	(475,840)	(466,790)
—	—	—	—	—	14,875,080
—	—	—	—	—	4,950,680
—	10,279	205,000	—	290,924	290,924
—	—	—	—	—	240,315
<u>(606)</u>	<u>(23,674)</u>	<u>191,350</u>	<u>(873)</u>	<u>(184,916)</u>	<u>114,734,933</u>
—	—	—	—	—	4,172,577
—	—	—	—	—	15,365,636
—	—	—	980	63,426	15,872,477
—	—	—	—	94,715	64,628,710
—	—	—	—	145,178	1,092,608
—	32,496	—	—	32,496	29,005,983
—	—	—	—	—	5,273,174
—	—	—	—	—	4,763,678
—	—	—	—	—	1,147,031
—	—	—	—	—	950,935
—	32,496	—	980	335,815	142,272,809
<u>(606)</u>	<u>(56,170)</u>	<u>191,350</u>	<u>(1,853)</u>	<u>(520,731)</u>	<u>(27,537,876)</u>
—	—	—	—	—	3,844,449
—	—	—	—	(74,213)	(8,099,965)
—	—	—	—	—	220,087
—	—	—	—	—	50,067,000
—	—	—	—	—	1,365,914
—	—	—	—	(74,213)	47,397,485
(606)	(56,170)	191,350	(1,853)	(594,944)	19,859,609
7,329	403,452	239,790	10,251	13,680,822	35,314,110
<u>6,723</u>	<u>347,282</u>	<u>431,140</u>	<u>8,398</u>	<u>13,085,878</u>	<u>55,173,719</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Airport Enterprise Fund

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

For the fiscal year ended June 30, 2008

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Fees	\$ 578,600	578,600	610,138	31,538
Intergovernmental	2,336,680	2,336,680	1,174,504	(1,162,176)
Miscellaneous	160,000	160,000	234,245	74,245
Total revenues	<u>3,075,280</u>	<u>3,075,280</u>	<u>2,018,887</u>	<u>(1,056,393)</u>
Expenditures:				
Salaries and benefits	1,785,886	1,692,886	1,204,289	488,597
Ordinary maintenance	1,371,100	1,464,100	1,449,988	14,112
Debt service	614,298	614,298	610,095	4,203
Total expenditures	<u>3,771,284</u>	<u>3,771,284</u>	<u>3,264,372</u>	<u>506,912</u>
(Deficiency) of revenues over expenditures	<u>(696,004)</u>	<u>(696,004)</u>	<u>(1,245,485)</u>	<u>(549,481)</u>
Other financing sources (uses):				
Transfers in	783,213	1,332,695	1,332,695	—
Transfers (out)	(87,209)	(87,209)	(87,209)	—
Total other financing sources	<u>696,004</u>	<u>1,245,486</u>	<u>1,245,486</u>	<u>—</u>
Net changes in fund balance	—	549,482	1	(549,481)
Budgetary fund balance – beginning	<u>12,360</u>	<u>12,360</u>	<u>12,360</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 12,360</u>	<u>561,842</u>	<u>12,361</u>	<u>(549,481)</u>

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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,107,225	1,107,225	1,118,190	10,965
Miscellaneous	9,772	9,772	8,940	(832)
Total revenues	<u>1,116,997</u>	<u>1,116,997</u>	<u>1,127,130</u>	<u>10,133</u>
Expenditures:				
Salaries and benefits	319,890	323,579	308,570	15,009
Ordinary maintenance	671,113	666,289	663,558	2,731
Debt service	125,760	125,760	124,175	1,585
Indirect costs	70,715	71,850	71,850	—
Total expenditures	<u>1,187,478</u>	<u>1,187,478</u>	<u>1,168,153</u>	<u>19,325</u>
Excess (deficiency) of revenues over expenditures	<u>(70,481)</u>	<u>(70,481)</u>	<u>(41,023)</u>	<u>29,458</u>
Other financing sources (uses):				
Transfers in	101,845	101,845	101,845	—
Transfers (out)	(31,364)	(31,364)	(31,364)	—
Total other financing sources (uses)	<u>70,481</u>	<u>70,481</u>	<u>70,481</u>	<u>—</u>
Net changes in fund balance	—	—	29,458	29,458
Budgetary fund balance – beginning	—	—	—	—
Budgetary fund balance – ending	<u>\$ —</u>	<u>—</u>	<u>29,458</u>	<u>29,458</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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 26,843,883	26,843,883	25,630,045	(1,213,838)
Miscellaneous	360,000	360,000	457,602	97,602
Total revenues	<u>27,203,883</u>	<u>27,203,883</u>	<u>26,087,647</u>	<u>(1,116,236)</u>
Expenditures:				
Salaries and benefits	5,273,974	5,273,974	4,823,272	450,702
Ordinary maintenance	13,482,830	13,482,830	13,402,745	80,085
Capital	24,500	24,500	5,290	19,210
Debt service	4,868,776	4,868,776	4,836,281	32,495
Indirect costs	3,046,156	3,046,156	3,014,216	31,940
Total expenditures	<u>26,696,236</u>	<u>26,696,236</u>	<u>26,081,804</u>	<u>614,432</u>
Excess of revenues over expenditures	<u>507,647</u>	<u>507,647</u>	<u>5,843</u>	<u>(501,804)</u>
Other financing sources (uses):				
Transfers in	—	493,407	493,407	—
Transfers (out)	(507,647)	(507,647)	(507,647)	—
Total other financing sources (uses)	<u>(507,647)</u>	<u>(14,240)</u>	<u>(14,240)</u>	<u>—</u>
Net changes in fund balance	—	493,407	(8,397)	(501,804)
Budgetary fund balance -- beginning	<u>8,397</u>	<u>8,397</u>	<u>8,397</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 8,397</u>	<u>501,804</u>	<u>—</u>	<u>(501,804)</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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 23,374,087	23,374,087	23,200,564	(173,523)
Miscellaneous	1,434,600	1,434,600	740,501	(694,099)
Total revenues	<u>24,808,687</u>	<u>24,808,687</u>	<u>23,941,065</u>	<u>(867,622)</u>
Expenditures:				
Salaries and benefits	9,407,169	9,407,169	8,662,539	744,630
Ordinary maintenance	3,037,623	3,029,958	3,001,440	28,518
Capital	25,000	25,000	4,186	20,814
Debt service	9,552,556	9,552,556	9,513,116	39,440
Indirect costs	2,024,129	2,031,794	2,031,794	—
Total expenditures	<u>24,046,477</u>	<u>24,046,477</u>	<u>23,213,075</u>	<u>833,402</u>
Excess of revenues over expenditures	<u>762,210</u>	<u>762,210</u>	<u>727,990</u>	<u>(34,220)</u>
Other financing (uses):				
Transfers (out)	<u>(762,210)</u>	<u>(762,210)</u>	<u>(762,210)</u>	<u>—</u>
Net changes in fund balance	<u>—</u>	<u>—</u>	<u>(34,220)</u>	<u>(34,220)</u>
Budgetary fund balance – beginning	<u>459,687</u>	<u>459,687</u>	<u>459,687</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 459,687</u>	<u>459,687</u>	<u>425,467</u>	<u>(34,220)</u>

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CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Activities
Comparative Schedule by Type and Source

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Governmental activities capital assets, by type:		
Land	\$ 16,691,412	16,691,412
Buildings	309,048,316	318,441,149
Improvements other than buildings	15,119,738	13,004,441
Rolling equipment	6,001,568	5,958,558
Equipment and other	2,938,755	3,726,812
Infrastructure	79,827,347	73,354,438
Construction in progress	41,083,966	16,774,812
Total governmental activities capital assets	<u>\$ 470,711,102</u>	<u>447,951,622</u>
Investments in governmental activities capital assets by source:		
General fund	\$ 858,903	969,096
Special revenue fund	47,230,748	45,501,823
Capital projects fund	421,542,825	400,293,672
Donations	1,078,626	1,187,031
Total governmental activities capital assets	<u>\$ 470,711,102</u>	<u>447,951,622</u>

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2008

<u>Function and activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>
General government:			
Manager	\$ 3,525,231	—	—
Information Services	—	1,963,696	—
Law	—	—	—
Treasurer	—	—	—
Total general government	<u>3,525,231</u>	<u>1,963,696</u>	<u>—</u>
Public safety:			
Police	514,500	3,128,177	317,228
Fire	1,074,600	6,958,777	—
Code Inspection	209,905	506,910	—
Communications	—	—	—
Total public safety	<u>1,799,005</u>	<u>10,593,864</u>	<u>317,228</u>
Health and human services:			
Workforce Central	—	—	—
Health	—	—	—
Elder Affairs	—	2,439,411	44,627
Total health and human services	<u>—</u>	<u>2,439,411</u>	<u>44,627</u>
Public works	<u>3,489,339</u>	<u>17,851,379</u>	<u>390,818</u>
Education	<u>3,453,537</u>	<u>207,298,098</u>	<u>2,194,685</u>
Library	<u>305,000</u>	<u>17,516,257</u>	<u>—</u>
Culture and recreation:			
Auditorium	150,000	1,550,041	—
DCU Center	263,000	43,953,474	—
Hope Cemetery	290,000	944,289	—
Parks	3,416,300	4,937,807	12,172,380
Total culture and recreation	<u>4,119,300</u>	<u>51,385,611</u>	<u>12,172,380</u>
Total governmental activities capital assets	<u>\$ 16,691,412</u>	<u>309,048,316</u>	<u>15,119,738</u>

<u>Rolling equipment</u>	<u>Equipment and other</u>	<u>Infrastructure</u>	<u>Construction in progress</u>	<u>Total</u>
—	—	—	—	3,525,231
—	87,342	—	2,199	2,053,237
—	13,722	—	—	13,722
—	2,064	—	—	2,064
—	<u>103,128</u>	—	<u>2,199</u>	<u>5,594,254</u>
130,941	163,808	—	—	4,254,654
3,629,923	220,243	64,456	3,961,417	15,909,416
—	11,517	—	—	728,332
—	234,046	—	—	234,046
<u>3,760,864</u>	<u>629,614</u>	<u>64,456</u>	<u>3,961,417</u>	<u>21,126,448</u>
—	8,310	—	—	8,310
—	26,666	—	—	26,666
—	10,186	—	—	2,494,224
—	<u>45,162</u>	—	—	<u>2,529,200</u>
<u>1,928,016</u>	<u>44,605</u>	<u>79,707,616</u>	<u>30,481,158</u>	<u>133,892,931</u>
<u>3,189</u>	<u>1,107,152</u>	—	<u>4,215,734</u>	<u>218,272,395</u>
—	<u>770,241</u>	—	—	<u>18,591,498</u>
—	—	—	—	1,700,041
—	—	—	—	44,216,474
21,800	5,896	—	—	1,261,985
287,699	232,957	55,275	2,423,458	23,525,876
<u>309,499</u>	<u>238,853</u>	<u>55,275</u>	<u>2,423,458</u>	<u>70,704,376</u>
<u>6,001,568</u>	<u>2,938,755</u>	<u>79,827,347</u>	<u>41,083,966</u>	<u>470,711,102</u>

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, 2008

Function and activity	Governmental activities capital assets July 1, 2007	Additions	Deductions	Governmental activities capital assets June 30, 2008
General government:				
Manager	\$ 3,525,231	—	—	3,525,231
Assessor	333	—	333	—
Information Services	256,020	1,852,219	55,002	2,053,237
Law	21,746	—	8,024	13,722
Purchasing	1,752	—	1,752	—
Treasurer	3,313	—	1,249	2,064
Total general government	<u>3,808,395</u>	<u>1,852,219</u>	<u>66,360</u>	<u>5,594,254</u>
Public safety:				
Police	4,399,892	297,077	442,315	4,254,654
Fire	12,098,596	4,603,027	792,207	15,909,416
Code Inspection	782,373	—	54,041	728,332
Communications	290,092	—	56,046	234,046
Total public safety	<u>17,570,953</u>	<u>4,900,104</u>	<u>1,344,609</u>	<u>21,126,448</u>
Health and human services:				
Workforce Central	13,393	—	5,083	8,310
Health	47,517	—	20,851	26,666
Elder Affairs	2,714,383	—	220,159	2,494,224
Total health and human services	<u>2,775,293</u>	<u>—</u>	<u>246,093</u>	<u>2,529,200</u>
Public works	<u>110,417,101</u>	<u>31,276,231</u>	<u>7,800,401</u>	<u>133,892,931</u>
Education	<u>223,006,426</u>	<u>5,433,614</u>	<u>10,167,645</u>	<u>218,272,395</u>
Libraries	<u>19,244,829</u>	<u>81,017</u>	<u>734,348</u>	<u>18,591,498</u>
Culture and recreation:				
Auditorium	1,842,624	—	142,583	1,700,041
DCU Center	45,564,400	817,519	2,165,445	44,216,474
Hope Cemetery	1,310,184	—	48,199	1,261,985
Parks	22,411,417	2,297,203	1,182,744	23,525,876
Total culture and recreation	<u>71,128,625</u>	<u>3,114,722</u>	<u>3,538,971</u>	<u>70,704,376</u>
Total governmental activities capital assets	<u>\$ 447,951,622</u>	<u>46,657,907</u>	<u>23,898,427</u>	<u>470,711,102</u>

CITY OF WORCESTER, MASSACHUSETTS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS				
Cash and cash equivalents	\$ 422,922	535,669	(512,373)	446,218
LIABILITIES				
Accounts payable and accrued expenses	\$ 10,710	28,129	(10,710)	28,129
Due to student groups	412,212	507,540	(501,663)	418,089
Total liabilities	\$ 422,922	535,669	(512,373)	446,218

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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

	Page
Financial Trends	127
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	140
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	144
These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	150
These schedules 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 schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF WORCESTER, MASSACHUSETTS
Net Assets by Component
Last Eight Fiscal Years*
 (accrual basis of accounting)
 (amounts expressed in thousands)

Table 1

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities:								
Invested in capital assets, net of related debt	\$186,030	208,610	243,106	256,677	234,732	227,174	289,306	297,706
Restricted	25,386	19,749	11,862	13,305	39,064	29,255	45,711	65,072
Unrestricted	(188,838)	(196,541)	(216,752)	(226,088)	(221,341)	(217,317)	(228,007)	(273,357)
Total governmental activities net assets	<u>\$ 22,578</u>	<u>31,818</u>	<u>38,216</u>	<u>43,894</u>	<u>52,455</u>	<u>39,112</u>	<u>107,010</u>	<u>89,421</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$114,441	113,110	110,722	117,755	109,124	104,871	99,181	110,861
Restricted	378	420	413	253	2,749	-	-	-
Unrestricted	10,824	11,387	12,739	6,768	13,550	20,271	24,749	11,716
Total business-type net assets	<u>\$125,643</u>	<u>124,917</u>	<u>123,874</u>	<u>124,776</u>	<u>125,423</u>	<u>125,142</u>	<u>123,930</u>	<u>122,577</u>
Primary government:								
Invested in capital assets, net of related debt	\$300,471	321,720	353,828	374,432	343,856	332,045	388,487	408,567
Restricted	25,764	20,169	12,275	13,558	41,813	29,255	45,711	65,072
Unrestricted	(178,014)	(185,154)	(204,013)	(219,320)	(207,791)	(197,046)	(203,258)	(261,641)
Total primary government net assets	<u>\$148,221</u>	<u>156,735</u>	<u>162,090</u>	<u>168,670</u>	<u>177,878</u>	<u>164,254</u>	<u>230,940</u>	<u>211,998</u>

* Data is being accumulated from fiscal year 2001 and forward.

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Assets
Last Eight Fiscal Years*
(accrual basis of accounting)
(amounts expressed in thousands)

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)
Expenses								
Governmental activities:								
General government	\$ 18,882	20,689	14,195	14,458	16,316	18,222	19,583	22,268
Public safety	78,344	85,686	93,949	98,633	105,119	113,545	115,321	132,411
Health and human services	21,498	20,933	19,164	17,431	21,524	20,880	19,873	23,366
Education (1)	243,393	278,295	303,760	314,670	329,699	353,126	366,311	406,208
Libraries	5,278	6,193	6,837	6,719	6,941	7,323	7,735	8,347
Public works	26,223	22,126	26,567	34,274	31,077	27,027	26,954	34,727
Culture and recreation	6,928	7,104	7,676	9,354	7,684	8,471	10,886	11,548
Community development	5,117	4,518	4,002	4,429	4,189	3,565	3,873	4,764
Redevelopment	6,543	2,719	4,238	30	5,770	-	-	-
Interest on debt	24,792	24,624	24,913	24,626	25,734	25,336	25,283	25,366
Total governmental activities expenses	436,998	472,887	505,301	524,624	554,053	577,495	595,819	669,005
Business-type activities:								
Water	19,466	20,352	20,753	20,804	21,535	22,141	24,727	25,213
Sewer	14,767	16,731	16,310	17,238	22,719	24,352	28,309	29,258
Airport	3,857	4,906	4,389	3,958	4,158	4,527	4,360	4,703
Golf course (non major)	984	1,215	1,082	1,030	1,026	1,164	1,180	1,227
Total business-type expenses	39,074	43,204	42,534	43,030	49,438	52,184	58,576	60,401
Total primary government expenses	\$ 476,072	516,091	547,835	567,654	603,491	629,679	654,395	729,406
 Program Revenues								
Governmental activities:								
Charges for services:								
Public safety	7,118	7,858	11,652	12,043	12,997	12,940	13,925	13,580
Public works	5,135	5,219	4,510	6,337	6,674	7,436	8,005	9,160
Other activities	9,950	7,975	8,784	6,823	6,889	6,700	7,780	7,641
Operating grants and contributions (1)	222,313	251,539	277,029	284,486	303,411	295,107	315,692	326,824
Capital grants and contributions	2,781	2,315	2,338	4,539	5,160	5,217	65,551	28,979
Total governmental activities program revenues	247,297	274,906	304,313	314,228	335,131	327,400	410,953	386,184
Business-type activities:								
Charges for services:								
Water	19,249	21,686	22,534	23,154	24,132	22,735	24,623	24,251
Sewer	13,408	14,190	14,548	15,627	19,775	22,449	25,670	26,928
Airport	1,412	1,651	1,002	687	915	978	844	802
Golf course	1,022	1,114	1,050	1,068	1,029	1,041	1,088	1,127
Operating grants and contributions	1,449	733	1,329	1,202	1,241	1,006	593	1,174
Capital grants and contributions	8,785	2,247	1,470	3,362	3,081	3,114	2,255	4,226
Total business-type activities program revenues	45,325	41,621	41,933	45,100	50,173	51,323	55,073	58,508
Total primary government program revenues	\$ 292,622	316,527	346,246	359,328	385,304	378,723	466,026	444,692

(continued)

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

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)
Net (expense)/revenue								
Governmental activities	\$ (189,701)	(197,981)	(200,988)	(210,396)	(218,922)	(250,095)	(184,866)	(282,821)
Business-type activities	6,251	(1,583)	(601)	2,070	735	(861)	(3,503)	(1,893)
Total primary government net (expense)/ revenue	<u>\$ (183,450)</u>	<u>(199,564)</u>	<u>(201,589)</u>	<u>(208,326)</u>	<u>(218,187)</u>	<u>(250,956)</u>	<u>(188,369)</u>	<u>(284,714)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes	\$ 134,677	139,027	144,316	156,461	161,648	171,490	179,130	188,930
Motor vehicle excise taxes	12,733	12,941	13,438	12,581	13,503	12,096	11,893	12,932
Intergovernmental	51,353	47,425	42,016	39,406	43,026	44,146	53,813	54,561
Other	10,661	8,685	7,174	6,458	9,073	9,493	10,060	8,436
Transfers	(654)	(857)	442	1,168	88	(580)	(2,291)	(540)
Gain on sale of capital assets	-	-	-	-	-	-	-	622
Donations	-	-	-	-	145	107	159	291
Total governmental activities	<u>208,770</u>	<u>207,221</u>	<u>207,386</u>	<u>216,074</u>	<u>227,483</u>	<u>236,752</u>	<u>252,764</u>	<u>265,232</u>
Business-type activities								
Transfers	654	857	(442)	(1,168)	(88)	580	2,291	540
Total primary government	<u>\$ 209,424</u>	<u>208,078</u>	<u>206,944</u>	<u>214,906</u>	<u>227,395</u>	<u>237,332</u>	<u>255,055</u>	<u>265,772</u>
Changes in Net Assets								
Governmental activities	\$ 19,069	9,240	6,398	5,678	8,561	(13,343)	67,898	(17,589)
Business-type activities	6,905	(726)	(1,043)	902	647	(281)	(1,212)	(1,353)
Total primary government	<u>\$ 25,974</u>	<u>8,514</u>	<u>5,355</u>	<u>6,580</u>	<u>9,208</u>	<u>(13,624)</u>	<u>66,686</u>	<u>(18,942)</u>

* Data is being accumulated from fiscal year 2001 and forward.

(1) In fiscal year 2002 information concerning on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and was accounted for.

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

(concluded)

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Motor Vehicle Excise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
2001	\$ 134,677	12,733	766	148,176
2002	139,027	12,941	782	152,750
2003	144,316	13,438	713	158,467
2004	156,461	12,581	684	169,726
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	758	202,620

* Data is being accumulated from fiscal year 2001 and forward.

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

Table 4

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:								
Reserved	\$ 922	1,618	1,618	1,618	1,618	-	-	-
Unreserved	13,861	8,890	9,437	10,385	14,857	9,290	10,025	11,906
Total general fund	<u>\$ 14,783</u>	<u>10,508</u>	<u>11,055</u>	<u>12,003</u>	<u>16,475</u>	<u>9,290</u>	<u>10,025</u>	<u>11,906</u>
All other governmental funds								
Reserved	\$ 20,505	24,515	28,180	32,861	37,387	29,102	34,323	30,418
Unreserved, reported in:								
Special revenue funds	15,163	13,748	18,526	20,103	20,646	18,056	11,171	13,438
Capital projects funds (1)	(11,024)	(17,383)	(13,988)	20,372	16,923	(12,039)	11,196	34,529
Permanent funds	604	742	127	88	60	153	191	125
Total all other governmental funds	<u>\$ 25,248</u>	<u>21,622</u>	<u>32,845</u>	<u>73,424</u>	<u>75,016</u>	<u>35,272</u>	<u>56,881</u>	<u>78,510</u>

* Data is being accumulated from fiscal year 2001 and forward.

(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 2004, 2005 and 2008.

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

Table 5

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES										
Property taxes	\$ 126,888	131,351	133,885	140,712	148,322	156,945	163,706	171,484	177,781	189,419
Motor vehicle excise taxes	9,961	11,324	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677
Other taxes taxes and in-lieu payments	2,300	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188	2,556
Penalties and interest on taxes	1,845	2,115	1,938	1,977	2,702	2,669	2,867	2,564	2,520	2,414
Licenses and permits	4,329	4,444	4,826	4,468	5,266	5,486	5,692	5,571	4,354	4,726
Intergovernmental (2) (3)	231,925	253,679	274,278	302,715	315,660	327,833	356,548	350,840	407,873	406,883
Charges for services	14,369	15,197	14,718	14,595	17,644	16,758	17,645	17,913	19,920	21,107
Fines and forfeitures	2,378	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308
Investment earnings	4,098	2,464	2,779	755	1,085	1,811	2,056	3,100	4,292	2,766
Donations	1,079	1,792	2,317	4,731	2,683	3,022	2,908	2,640	3,793	4,951
Contributions to permanent funds	60	46	442	62	65	48	145	107	159	291
Miscellaneous	1,835	2,225	2,541	1,713	1,215	1,224	3,063	1,725	1,295	1,013
Total revenues	401,067	428,699	454,546	489,352	513,578	533,678	572,627	573,619	639,868	652,111
EXPENDITURES										
General government	12,669	14,018	15,733	17,652	12,006	12,023	13,861	14,314	15,720	17,957
Public safety	66,457	67,346	65,427	74,806	75,079	72,876	79,286	82,119	87,316	93,942
Health and human services	16,963	19,599	18,646	17,967	17,001	14,055	18,545	17,045	16,470	19,649
Education	224,907	231,680	222,361	241,600	239,150	256,223	271,977	261,385	257,076	261,869
Libraries	4,864	9,822	16,210	10,392	6,745	4,651	4,686	5,087	5,474	5,626
Public works	19,537	19,933	22,845	21,069	24,026	24,833	29,652	29,629	44,611	49,363
Culture and recreation	8,589	4,916	8,212	9,083	6,046	6,663	9,609	6,236	8,729	9,140
Fringe benefits (1) (2)	275,042	41,754	43,094	71,052	85,622	103,213	118,377	126,381	130,746	136,213
Community development	4,772	4,872	5,101	4,518	4,001	4,429	4,189	3,565	3,873	4,764
Redevelopment	2,279	2,266	6,543	2,719	4,238	30	5,769	-	-	-
State & regional charges (3)	1,971	3,041	2,132	2,276	2,424	14,909	16,514	19,445	20,551	23,914
Debt service:										
Principal (1)	16,231	17,755	23,147	25,997	26,715	27,216	28,124	30,430	32,886	32,774
Interest (1)	11,188	26,450	25,512	24,223	25,464	24,515	24,674	25,034	26,020	25,829
Total expenditures	665,469	463,452	474,963	523,354	528,517	565,636	625,263	620,670	649,472	681,040
Excess of revenues (under) expenditures	(264,402)	(34,753)	(20,417)	(34,002)	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)

(continued)

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

Table 5

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 6,109	6,136	9,819	12,576	17,947	14,248	17,608	14,048	13,968	21,296
Transfers out	(8,650)	(8,625)	(10,473)	(13,433)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)
Premium on issuance of bonds and notes	196	725	827	1,262	633	487	3,697	702	464	423
Sale of capital assets	-	-	-	-	-	-	-	-	-	1,366
Issuance of refunding bonds	-	-	-	11,135	9,345	-	18,241	55,960	-	-
Issuance of bonds and notes	248,953	50,130	48,414	25,695	25,665	72,440	54,915	-	33,775	50,067
Payments to refunded bond escrow agent	-	-	-	(11,135)	(9,345)	-	(18,241)	(55,960)	-	-
Total other financing sources	<u>246,608</u>	<u>48,366</u>	<u>48,587</u>	<u>26,100</u>	<u>26,740</u>	<u>73,453</u>	<u>58,700</u>	<u>122</u>	<u>31,948</u>	<u>52,439</u>
Net change in fund balances	<u>\$ (17,794)</u>	<u>13,613</u>	<u>28,170</u>	<u>(7,902)</u>	<u>11,801</u>	<u>41,495</u>	<u>6,064</u>	<u>(46,929)</u>	<u>22,344</u>	<u>23,510</u>
Debt service as a percentage of noncapital expenditures	n/a	n/a	11.0%	10.4%	10.3%	9.9%	9.3%	9.4%	9.6%	9.2%

(1) In fiscal year 1999 the City issued \$220,979 of Pension Obligation Bonds. Debt service reflects this increased cost starting in fiscal year 2000 and fringe benefit costs reflect the transfer of bond proceeds to the pension trust fund in fiscal year 1999.

(2) In fiscal year 2002 information concerning on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and was accounted for.

(3) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

(concluded)

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

Table 6

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Motor Vehicle Excise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
1999	\$126,888	9,961	614	137,463
2000	130,798	11,134	684	142,616
2001	133,885	12,460	766	147,111
2002	140,712	13,091	782	154,585
2003	148,322	14,085	713	163,120
2004	156,942	13,205	684	170,831
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	758	202,854

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of Accounting
Year ended June 30, 2008

Graph
1

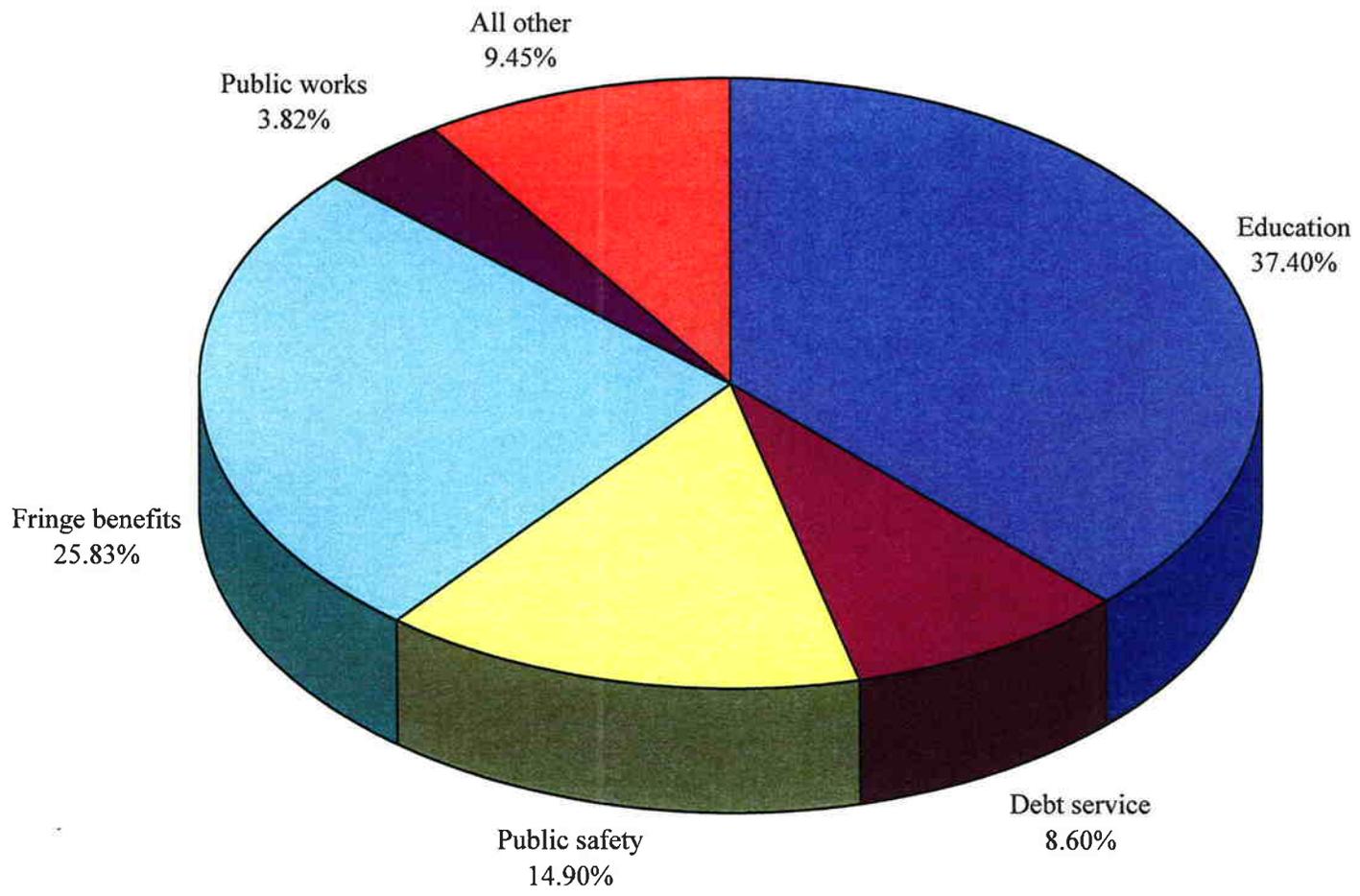


Table 7

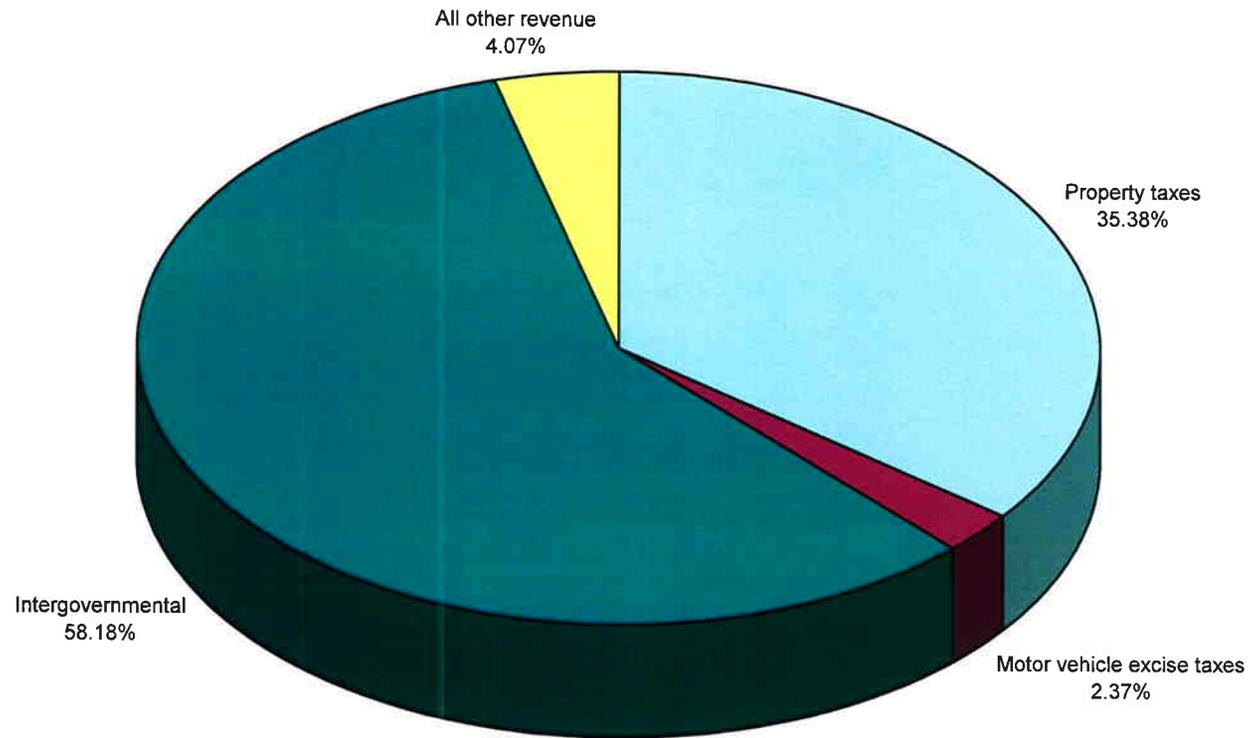
CITY OF WORCESTER, MASSACHUSETTS
 General Fund Expenditures – Modified Accrual Basis of Accounting
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	\$ 11,015	12,760	12,990	14,726	10,326	10,391	11,216	12,574	13,316	13,785
Public safety	58,069	56,609	58,025	62,954	64,045	63,359	64,776	71,360	74,813	78,576
Health and human services	4,886	5,267	5,426	5,595	3,658	2,841	2,805	3,629	3,832	3,776
Education	156,265	165,579	172,357	179,401	181,006	189,472	190,912	199,411	191,976	197,241
Libraries	3,755	3,661	3,717	4,183	4,093	3,771	3,816	4,195	4,518	4,533
Public works	13,639	13,183	17,165	14,848	17,598	15,086	19,000	17,537	16,610	20,121
Culture and recreation	3,397	3,694	4,111	4,238	3,880	3,068	3,305	3,484	3,923	3,867
Fringe benefits (1) (2)	55,004	41,754	43,157	71,052	85,622	103,212	118,377	126,381	130,746	136,213
State and regional charges	1,971	3,041	2,132	2,276	2,424	2,457	2,697	2,841	20,550	23,914
Debt service (1)	<u>22,273</u>	<u>41,474</u>	<u>44,488</u>	<u>44,501</u>	<u>44,971</u>	<u>44,299</u>	<u>44,478</u>	<u>44,114</u>	<u>45,466</u>	<u>45,328</u>
Totals	\$ <u>330,274</u>	<u>347,022</u>	<u>363,568</u>	<u>403,774</u>	<u>417,623</u>	<u>437,956</u>	<u>461,382</u>	<u>485,526</u>	<u>505,750</u>	<u>527,354</u>

- (1) In fiscal year 1999 the City issued \$220,979 in Pension Obligation Bonds. The expenditures associated with this debt are shown in the debt service category and decrease the fringe benefits expenditures from 2000 and forward
- (2) In fiscal year 2002 information concerning on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and was accounted for.

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues – Modified Accrual Basis of Accounting
Year ended June 30, 2008

Graph 2



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

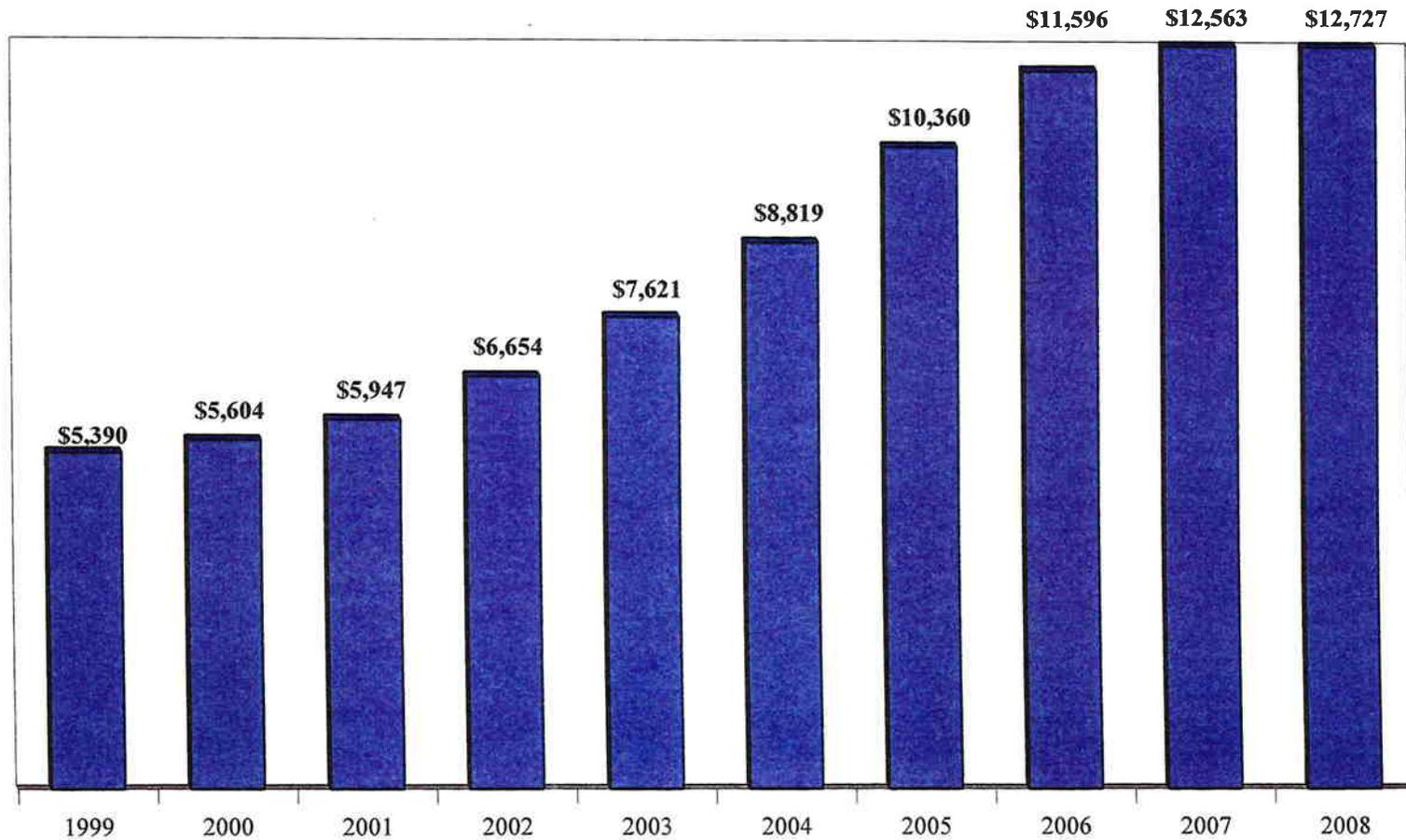
Table 8

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Property taxes	\$ 126,888	130,798	133,885	140,712	148,322	156,942	163,706	171,484	177,781	189,419
Motor vehicle excise taxes	9,961	11,134	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677
Other taxes and in-lieu payments	2,300	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188	2,556
Penalties and interest on taxes	1,845	2,114	1,938	1,977	2,702	2,670	2,867	2,564	2,520	2,414
Licenses and permits	4,329	4,401	4,577	4,468	5,266	5,486	5,692	5,571	4,355	4,726
Intergovernmental (1)	178,378	192,139	206,423	232,834	241,946	255,549	266,484	276,758	295,983	311,475
Charges for services	2,273	2,373	2,355	2,477	3,613	3,864	4,052	3,760	5,684	6,232
Fines and forfeitures	2,378	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308
Investment earnings	3,056	2,263	2,921	1,321	664	476	1,170	2,140	2,349	1,806
Miscellaneous	945	1,159	2,218	1,257	895	733	1,079	852	1,093	773
Totals	\$ <u>332,353</u>	<u>350,443</u>	<u>371,139</u>	<u>402,670</u>	<u>422,344</u>	<u>443,602</u>	<u>463,047</u>	<u>480,804</u>	<u>507,646</u>	<u>535,386</u>

(1) In fiscal year 2002 on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and were accounted for.

CITY OF WORCESTER, MASSACHUSETTS
Assessed Valuation
Last Ten Fiscal Years
(Amounts expressed in millions)

Graph 3



CITY OF WORCESTER, MASSACHUSETTS
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

Table 9

Fiscal Year	Assessed value				Total taxable Assessed Value	Total Direct tax Rate	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								
1999	\$ 3,822,618	1,283,978	282,950		5,389,546	24.05	5,536,578	97.34%	\$ 1,661,179	7,050,725	23.56%
2000	4,021,970	1,300,352	281,778		5,604,100	23.52	5,536,578	101.22	1,694,931	7,299,031	23.22
2001	4,335,259	1,308,185	303,520		5,946,964	22.74	6,010,162	98.95	1,689,279	7,636,243	22.12
2002	4,984,353	1,355,745	314,115		6,654,213	21.27	6,010,162	110.72	1,830,384	8,484,597	21.57
2003	5,912,081	1,382,048	326,949		7,621,078	19.59	7,248,688	105.14	2,110,469	9,731,547	21.69
2004	7,036,273	1,446,202	336,277		8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
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

Table 10

CITY OF WORCESTER, MASSACHUSETTS
Principal Taxpayers - Current Year and Nine Years Ago
June 30, 2008
(Amounts expressed in thousands)

Taxpayer	Type of business	2008				1999			
		Assessed valuation	Rank	Fiscal 2008 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 1999 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 131,630	1	\$ 3,448	1.81%	\$ 128,436	1	\$ 4,833	3.73%
Alexandria Real Estate Equities	Biotechnology park	54,144	2	1,419	0.74	—	—	—	—
V3B SA LLC (Lincoln Plaza)	Shopping mall	52,952	3	1,387	0.73	—	—	—	—
NStar	Gas utility	52,724	4	1,381	0.72	38,629	6	1,454	1.12
Verizon	Telephone utility	50,752	5	1,330	0.70	57,232	2	2,154	1.66
Hanover Insurance Group (Allmerica)	Insurance	50,347	6	1,319	0.69	47,414	3	1,780	1.37
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	44,340	7	1,162	0.61	40,587	5	1,527	1.18
Worcester TC LLC (Abbott Research)	Biotechnology research	42,479	8	1,113	0.58	38,219	7	1,438	1.11
VHS Acquisition (St. Vincent Hospital)	Health care facilities	41,796	9	1,095	0.57	24,791	9	920	0.71
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	35,331	10	926	0.49	45,155	4	1,699	1.31
Norton Company	Abrasives manufacturer	—	—	—	—	29,604	8	1,113	0.86
Hegarty, David et al (Fallon)	Health care facilities	—	—	—	—	17,029	10	634	0.49
Totals		\$ 556,495		\$ 14,580	7.64%	\$ 467,096		\$ 17,552	13.54%

Source: Assessor's department

Table 11

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Four Fiscal Years*

(Amounts expressed in thousands)

Fiscal Year	Total tax levy for fiscal year	Collected within the Fiscal year of the levy		Collections in Subsequent Years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2005	\$ 162,051	158,415	97.76%	\$ 3,635	162,050	100.00%
2006	170,372	166,275	97.60	4,082	170,357	99.99
2007	179,240	173,398	96.74	5,440	178,838	99.78
2008	188,296	182,941	97.16	—	182,941	97.16

* Data is being accumulated from fiscal year 2005 and forward.

Table 12

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
	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note			
1999	\$ 399,462	—	95,917	—	495,379	14.72%	\$ 2,918
2000	427,968	—	99,488	—	527,456	15.00	3,107
2001	450,765	—	103,858	—	554,623	15.21	3,212
2002	452,683	—	101,336	—	554,019	14.55	3,209
2003	451,740	—	101,169	—	552,909	14.51	3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	14.46	3,530
2008	507,329	5,800	133,942	906	647,977	14.49	3,753

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

(1) Source: Massachusetts Department of Workforce Development

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

<u>Fiscal year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Assessed Value (1)</u>	<u>Total Per capita (2)</u>
1999	\$ 495,379	8.95%	\$ 2,918
2000	527,456	9.53	3,107
2001	554,623	9.23	3,212
2002	554,019	9.22	3,209
2003	552,909	7.63	3,203
2004	600,544	8.38	3,519
2005	630,329	6.50	3,651
2006	592,954	6.12	3,434
2007	602,764	4.76	3,491
2008	641,271	5.07	3,714

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 1990 and 2000 Census

CITY OF WORCESTER, MASSACHUSETTS

Table 14

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

	1999	2000	2001 (2)	2002	2003	2004	2005	2006	2007	2008
Debt Limit (1)	\$ 138,414	138,414	283,599	150,254	181,217	362,434	484,731	484,731	632,729	632,729
Total net debt applicable to limit	125,481	128,856	250,307	125,014	170,375	180,376	199,169	208,140	268,676	268,621
Legal debt limit	\$ 12,933	9,558	33,292	25,240	10,842	182,058	285,562	276,591	364,053	364,108
Total net debt applicable to the limit as a percentage of debt limit	90.66%	93.09%	88.26%	83.20%	94.02%	49.77%	41.09%	42.94%	42.46%	42.45%

Legal Debt Margin Calculation for Fiscal Year 2008

Equalized valuation - real estate and personal property (January 1, 2007)	\$	12,654,572
Debt limit - 5% of equalized valuation		632,729
Total bonded debt (including authorized and unissued of \$247,705)		889,882
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(495,922)
Less bonded debt authorized but not yet issued which is outside the debt limit		(125,339)
Legal debt margin	\$	364,108

(1) In fiscal 2004 Massachusetts statute raised the debt limit from 2 1/2% to 5% of equalized valuation.

(2) In fiscal 2001 the City received a temporary increase of its debt limit in the amount of \$133,345 because school construction was temporarily categorized as inside the debt limit due to a change in state statute.

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

Table 15

Fiscal Year	Population	Personal Income (amounts expressed in thousands) (3)	Per Capita Personal Income (4)	Median Age (4)	Public School Enrollment (5)	Unemployment Rate (6)
1999	169,759 (1)				24,357	3.5%
2000	172,648 (2)	\$ 3,213,670	18,614	33.4	24,629	2.9
2001	173,025 (3)				24,931	3.9
2002	174,078 (3)				25,037	5.4
2003	175,071 (3)				24,885	7.0
2004	175,495 (3)				24,363	7.0
2005	175,770 (3)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (3)	3,989,327	22,680		23,404	5.7
2007	175,454 (3)	4,216,455	24,032		23,682	6.3
2008	175,521 (3)	4,471,694	25,704		22,844	5.7

(1) 1990 Census

(2) 2000 Census

(3) Source: U.S. Department of Commerce estimates

(4) Source: U.S. Department of Commerce, Census for fiscal year 2000. Fiscal year 2005 is based on an estimate from the U.S. Department of Commerce.

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

(6) Source: Massachusetts Department of Workforce Development

CITY OF WORCESTER, MASSACHUSETTS

Table 16

Full Time Employees
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	248	238	236	241	201	189	188	197	200	201
Public safety										
Police										
Officers	464	450	472	459	424	468	456	468	465	448
Civilians	57	60	33	56	39	45	47	53	54	51
Fire										
Officers	458	447	456	445	398	429	421	410	402	403
Civilians	17	35	22	11	12	16	10	10	11	11
Other public safety (1)	56	56	58	56	105	95	98	86	89	97
Health and human services (1)	188	205	206	206	89	89	92	102	96	94
Education	3,762	4,046	4,060	4,111	3,905	3,821	3,698	3,658	3,506	3,384
Libraries	101	94	94	97	87	80	82	84	81	82
Public works	221	221	224	217	196	182	183	189	185	189
Culture and recreation	64	63	85	65	56	52	51	49	48	53
Water	126	127	126	120	117	114	112	111	106	105
Sewer	61	57	55	56	52	58	54	54	55	54
Airport	22	22	21	23	21	16	16	18	17	16
Golf course	4	3	3	3	3	2	3	3	3	2
Totals	<u>5,849</u>	<u>6,124</u>	<u>6,151</u>	<u>6,166</u>	<u>5,705</u>	<u>5,656</u>	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>

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

(1) In Fiscal 2003, the Code Inspection department was reorganized from the Health department into its' own division in the public safety category.

CITY OF WORCESTER, MASSACHUSETTS

Table 17

Principal Employers

Current year and nine years ago

Employer	Type of business	2008			1999		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care	Health care	13,672	1	17.51%	10,184	1	13.36%
City of Worcester	Government and education	5,249	2	6.72	5,837	2	7.66
Saint Vincent's Hospital	Health care	1,954	3	2.50	2,448	5	3.21
Hanover Insurance Group	Insurance	1,804	4	2.31	3,000	3	3.94
Fallon Clinic	Health care	1,564	5	2.00	3,000	3	3.94
Saint Gobain (formerly Norton Co.)	Abrasives manufacturer	1,432	6	1.83	2,000	6	2.62
College of the Holy Cross	Education	1,146	7	1.47	945	7	1.24
Clark University	Education	969	8	1.24	-	-	-
Polar Beverages	Bottling company	922	9	1.18	779	10	1.02
Worcester Polytechnic Institute	Education	814	10	1.04	-	-	-
Neles-Jamesbury	Valve manufacturer	-	-	-	850	8	1.12
Allegro MicroSystem	Semiconductor manufacturer	-	-	-	850	8	1.12

Source: Worcester Regional Chamber of Commerce

CITY OF WORCESTER, MASSACHUSETTS

Table 18

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police (1), (2)										
Total arrests	9,619	9,047	8,108	7,759	8,033	6,482	7,014	7,853	8,581	9,360
Different individuals arrested	6,938	6,578	6,081	5,938	6,041	5,154	5,366	5,916	6,671	7,082
Arrests for selected charges										
Drug-related	2,077	2,118	2,122	2,403	2,792	1,611	1,638	2,829	2,668	2,574
Aggravated assault	737	806	629	579	667	633	540	679	571	679
Disorderly conduct, disturbing peace	2,082	1,834	1,563	1,654	1,679	1,357	1,351	1,071	1,201	1,291
Prostitution and related	246	138	152	204	230	195	234	232	178	214
Sexual assault, including rape	51	31	34	43	59	23	22	33	29	41
Armed robbery	37	55	48	54	52	73	73	57	66	70
Murder /manslaughter, attempted murder	26	40	26	33	46	24	46	7	14	6
Fire (1)										
Total Incidents	27,717	27,427	32,681	33,054	29,350	22,839	21,778	22,076	22,498	24,735
Selected incidents										
EMS	13,023	12,356	13,516	13,377	14,624	16,038	15,383	14,558	15,654	15,086
Structure fires	896	799	799	797	716	454	417	749	681	663
Arson fires	n/a	68	25	30	43	42	31	29	28	29
Vehicle fires	308	240	320	284	269	206	184	184	139	132
Good intent	1,742	1,983	2,092	2,201	3,658	1,019	1,149	1,322	1,514	1,452
False alarm	1,539	1,701	1,708	1,632	1,591	1,542	1,705	3,102	2,971	3,134
Highways and streets										
Streets and resurfacing (1), (3)	15	9	8	8	9	16	14	14	15	15
Potholes repaired	n/a	n/a	11,481	9,105	13,268	15,596	7,895	13,403	11,489	13,088
Sanitation										
Refuse collected (tons/day)	99.73	104.68	109.39	112.70	106.62	107.05	104.15	102.78	100.30	91.06
Recyclable collected (tons/day)	38.50	41.23	43.04	36.70	36.99	38.71	37.70	37.20	34.77	36.07
Water										
New connections	277	321	312	377	389	463	454	373	271	239
Water main breaks	280	349	288	199	61	65	76	50	56	55
Average daily consumption (thousands of gallons)	23,430	22,844	22,589	23,578	24,091	23,932	23,595	22,681	22,187	22,960
Wastewater										
Average daily sewage treatment (thousands of gallons)	37,683	34,172	30,541	33,195	31,944	27,743	31,364	30,156	33,200	31,700

Source: Various government departments

- (1) Based on a calendar year rather than a fiscal year.
- (2) Data for years prior to 2003 represent the number of times each category of charges was involved in an arrest. Thus, three charges or instances of a crime filed on a single arrest would be coded as three charges rather than one arrest.
Since 2003, the numbers represent the numbers of arrests in which one or more of the charges in a category were filed i.e. one arrest would be recorded instead of three charges.
- (3) During the following years the miles noted were resurfaced by the State of Massachusetts and are included in the miles resurfaced above
1999 - 4.15, 2001 - 1.18, 2002 - .93, 2003 - .14, 2004 - 1.56

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	12	12	12	11	11	11	11	11
Education:										
Schools	52	51	52	52	52	49	49	49	45	46
Libraries	3	3	3	3	3	3	3	3	3	3
Public works										
Streets:										
Streets (miles)	408	406	423	411	411	414	414	416	418	420
Sidewalks (miles)	613	596	606	606	606	473	473	478	480	483
Streetsights	12,640	12,693	12,716	12,752	12,772	12,972	12,994	13,238	13,275	13,321
Water:										
Main pipes (miles) (1)	592	654	655	659	614	592	592	592	582	582
Fire hydrants (2)	6,088	5,277	5,095	5,490	5,481	5,940	5,940	5,951	5,658	5,675
Reservoirs	10	10	10	10	10	10	10	10	10	10
Reservoir gallons of capacity (in thousands)	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938
Sewers:										
Sanitary sewers (miles)	377	380	381	381	387	389	390	392	392	393
Combined sewers (miles)	61	61	61	65	65	66	65	65	65	61
Surface sewers (miles)	349	351	353	353	358	361	362	364	364	368
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard									981	981
Culture and recreation										
Parks	51	52	52	52	53	54	54	56	60	60
Parks and playground acreage	1,207	1,280	1,280	1,285	1,316	1,316	1,316	1,316	1,316	1,316
Civic Center										
Seating capacities										
Center stage	15,011	15,011	15,011	14,639	14,639	14,639	14,639	14,639	14,639	14,639
End stage	14,500	14,500	14,500	14,751	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,800	13,800	13,800	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,405	12,405	12,405	12,239	12,239	12,239	12,239	12,239	12,800	12,800
Hockey with closed curtain									6,880	6,880
Arena football									12,330	12,330
Ice show	13,033	13,033	13,033	11,888	11,888	11,888	11,888	11,888	11,888	11,888
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.