

CITY OF WORCESTER

MASSACHUSETTS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Prepared by:

The Office of the City Auditor
City of Worcester, Massachusetts

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeSIGNORE, CPA

CITY AUDITOR

October 31, 2013

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, 2013 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, 2013 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, 2013. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

City of Worcester Government

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

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

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

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

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 94 through 101 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 recently finished constructing a \$405 million 500,000 square foot science and research facility on its campus. Worcester Polytechnic Institute recently finished constructing housing for 300 graduate students and a 500 space parking garage that has NCAA sanctioned athletic fields on its roof. Also, the College of the Holy Cross is constructing a \$20 million residence hall and Worcester State University is constructing two 8-story residence halls and is about to construct a new athletic center.

Factors Affecting Financial Condition

CSX finished constructing their New England distribution headquarters in Worcester during the year at a cost of \$140 million. This will not only promise to boost the local economy with additional jobs but it has cleared the way for 3 additional commuter trains between Worcester and Boston now totaling 15 daily round trips.

Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) in July 2010 and the new owners have demonstrated a willingness to make improvements necessary, such as a top tier landing system and has attracted Jet Blue who will be starting daily service to Orlando and Fort Lauderdale on November 7, 2013 with possible expansion to other cities in the near future.

Finally, construction has continued on the CitySquare project. About half of the 20-acre site was purchased by a new developer and the first phase of demolition has been completed. The other half of the site, which houses two office buildings, a garage and some retail space, is to be retained and renovated by the current owner. Completed and occupied during the year was a 7-story 214,000 square foot \$70 million office building housing the Unum Group. Also completed and occupied during the year was a 3-story 66,000 square foot \$30 million cancer center to be owned and operated by Tenet Healthcare Corporation. Discussions are continuing with several other potential developers to fill out the site with diverse projects to include retail, housing and perhaps a hotel. The new 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 the 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 is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

Also having a major impact on the downtown area has been the steady expansion of the Massachusetts College of Pharmacy. There are currently 1,200 students living and attending classes in the City's downtown with plans to expand to 2,000 students in the next 5 to 8 years. The college and commuter rail have helped galvanize apartment construction in the downtown area with approximately 400 units being added recently and with expansion of commuter rail and the college there portends to be a need for several additional units. Quinsigamond Community College has agreed to lease space, which is being renovated for a satellite campus in the downtown and Becker College has entered into a multi-year lease for space in the downtown to house 150 students.

In November of 2006 the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund construction of a new North High School along with various other projects. Funding has come from approximately \$30 million in retroactive school construction aid to the City from the state that is being paid over a 10-year period. Also, proceeds from meals, hotel and sales taxes collected in the DCU Center enterprise zone are added to this fund. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation. Additionally, as part of this plan starting in fiscal 2013 the City will contribute 30-percent of "Free Cash" annually to pre-fund the liability for Other Post-Employment Benefits (OPEB).

Worcester's total assessed property value decreased to \$10.879 billion in fiscal 2013, .399 billion or 3.5% less than the previous year.

Awards and Acknowledgements

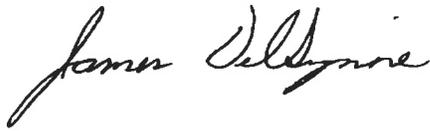
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty 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, reading "James A. DelSignore".

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2013

Council – Manager Form of Government

CITY COUNCIL

Joseph M. Petty, Mayor

Councilors-at-Large

Michael J. Germain
Konstantina B. Lukes
Joseph C. O'Brien
Frederick C. Rushton
Kathleen M. Toomey

District Councilors

Anthony J. Economou
William J. Eddy
Philip P. Palmieri
Sarai Rivera
George J. Russell

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

James A. DelSignore, CPA, City Auditor

Robert V. Stearns, CPA
Michael T. Hennessy
Kim Laino
Deborah Monahan

Deputy City Auditor
Director of Accounts
Chief Accountant
Administrative Assistant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

ASSESSOR

William J. Ford

TREASURER & COLLECTOR

Mariann Castelli Hier

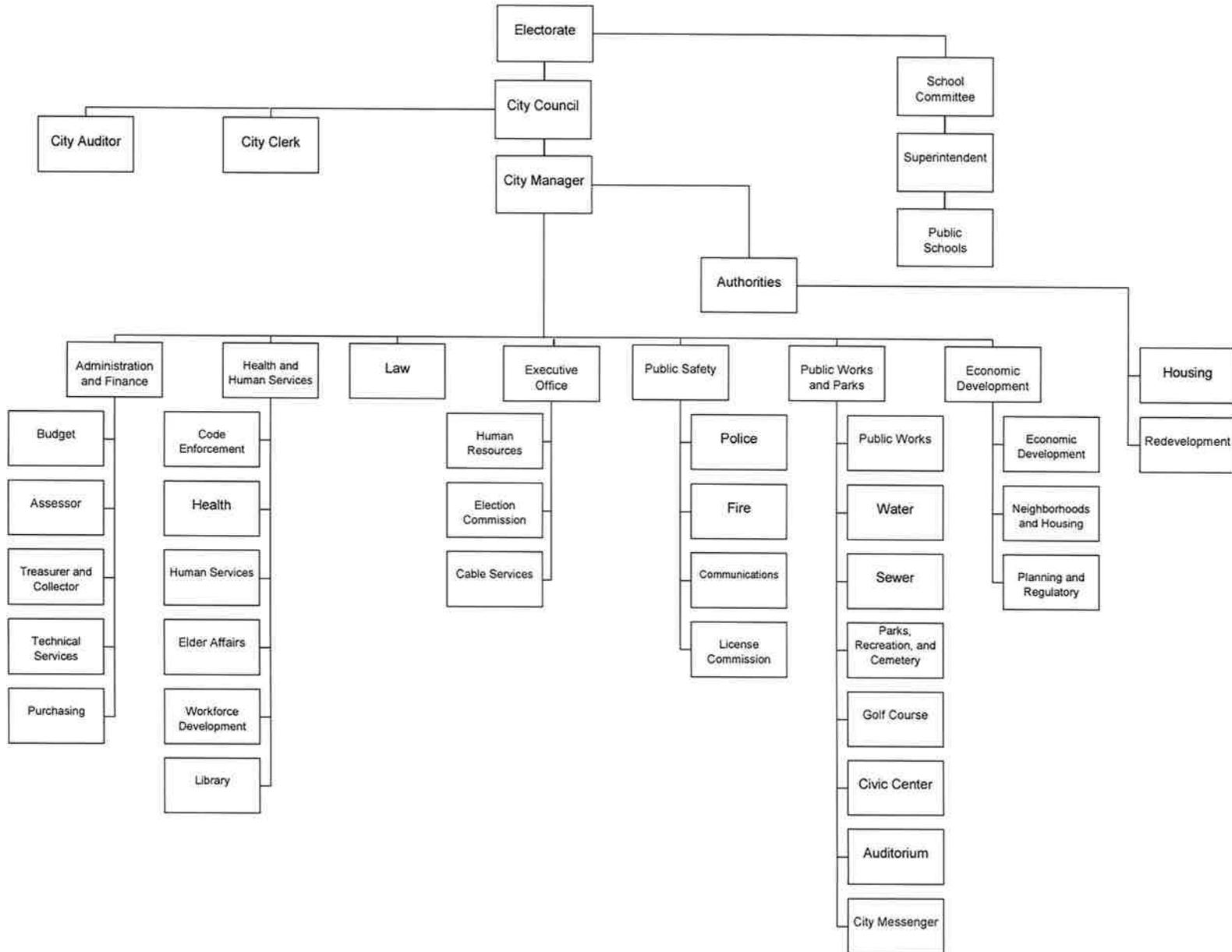
PURCHASING AGENT

John C. Orrell

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT





Government Finance Officers Association

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

Presented to

**City of Worcester
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC
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Burlington, Massachusetts 01803
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Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2013 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. We 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other 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, 2013 (except for the Worcester Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 12 through 26) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 94 through 104) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

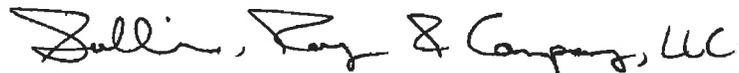
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary statements and schedules and statistical section are presented for purposes of additional analysis and are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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Sullivan, Ray & Company, LLC". The signature is written in a cursive, flowing style.

October 31, 2013

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

(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, 2013 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities (net position) at the close of fiscal 2013 by \$196,926.
- The City's total net position increased by \$1,927 or 1.0% during the year.
- At the end of fiscal 2013, unassigned fund balance for the general fund was \$27,869 or 4.6% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2013 was \$9,102. This amount is unassigned in the general fund and available for appropriation in fiscal 2014.
- The City's total capital assets (net) increased by \$41,902 or 5.1% during fiscal 2013.
- The City's total debt increased by \$22,754 or 3.9% during fiscal 2013.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during fiscal 2013. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

(In thousands of dollars)

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

(In thousands of dollars)

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 27 through 29 of this report.

Fund Financial Statements

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

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

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

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

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

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

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

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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 34 through 36.

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

The fiduciary funds financial statements can be found on pages 37 through 38.

Notes to the basic financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 39 through 92.

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 and other postemployment benefits information.

Other required supplementary information can be found on pages 94 through 104.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$196,926 at the close of the most recent fiscal year and are summarized as follows:

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	Net position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 293,397	287,920	40,897	38,374	334,294	326,294
Capital assets	639,604	598,061	221,623	221,264	861,227	819,325
Total assets	<u>933,001</u>	<u>885,981</u>	<u>262,520</u>	<u>259,638</u>	<u>1,195,521</u>	<u>1,145,619</u>
Long-term liabilities	700,956	666,737	145,678	132,199	846,634	798,936
Other liabilities	132,267	122,877	19,695	28,807	151,962	151,684
Total liabilities	<u>833,223</u>	<u>789,614</u>	<u>165,373</u>	<u>161,006</u>	<u>998,596</u>	<u>950,620</u>
Net position:						
Net investment in capital assets	310,299	288,776	86,123	87,856	396,422	376,632
Restricted	43,534	40,376	-	-	43,534	40,376
Unrestricted	<u>(254,054)</u>	<u>(232,785)</u>	11,024	10,776	<u>(243,030)</u>	<u>(222,009)</u>
Total net position	\$ <u>99,779</u>	<u>96,367</u>	<u>97,147</u>	<u>98,632</u>	<u>196,926</u>	<u>194,999</u>

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

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net position shows a balance of (\$243,030). However, this balance includes outstanding pension obligation bonds of \$155,063 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 \$10,628 and \$1,611, respectively, at year-end. Additionally, the City has a note payable of \$4,283 for improvement to neighborhood assets it does not own and also owes \$882 for the Blackstone Valley Visitors Center, which was destroyed by fire. Also on this list is \$1,526 debt for the airport, which is no longer owned by the City and there was \$22,759 of unspent capital debt at the end of the year. Absent the fore mentioned debt, there is a balance of (\$46,278) of unrestricted net position.

At the end of fiscal 2013, the City is able to report positive balances in all three categories of net position for business-type activities and all but unrestricted net position in the governmental activities.

Business-type activities had a decrease in other liabilities of \$9,112 or 31.6% as temporary loans decreased from \$24,183 to \$14,995. Other liabilities increased for governmental activities by \$9,390 or 7.6% as temporary loans increased from \$48,130 to \$55,018. Governmental activities capital assets increased by \$41,543 or 6.9% as many City buildings were renovated to produce energy savings during the year and work continued on the CitySquare project, parks projects, streets and sidewalks and work was started on the renovation and expansion of the DCU Center.

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The City's total net position increased by \$1,927, or 1.0%, and is summarized as follows:

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 33,641	36,675	61,962	62,572	95,603	99,247
Operating grants and contributions	365,227	363,538	385	-	365,612	363,538
Capital grants and contributions	23,252	10,691	2,106	2,691	25,358	13,382
General revenues:						
Property taxes	233,206	225,460	-	-	233,206	225,460
Motor vehicle excise taxes	12,720	11,866	-	-	12,720	11,866
Intergovernmental	36,039	36,298	-	-	36,039	36,298
Other	12,294	9,886	-	-	12,294	9,886
Total revenues	<u>716,379</u>	<u>694,414</u>	<u>64,453</u>	<u>65,263</u>	<u>780,832</u>	<u>759,677</u>
Expenses:						
General government	24,652	21,552	-	-	24,652	21,552
Public safety	129,490	126,488	-	-	129,490	126,488
Health and human services	18,396	20,597	-	-	18,396	20,597
Education	451,582	435,526	-	-	451,582	435,526
Public works	40,387	39,584	-	-	40,387	39,584
Culture and recreation	21,756	21,535	-	-	21,756	21,535
Community development	1,820	4,399	-	-	1,820	4,399
Interest on debt	25,873	23,968	-	-	25,873	23,968
Water	-	-	25,734	24,388	25,734	24,388
Sewer	-	-	37,991	35,284	37,991	35,284
Golf course	-	-	1,293	1,246	1,293	1,246
Total expenses	<u>713,956</u>	<u>693,649</u>	<u>65,018</u>	<u>60,918</u>	<u>778,974</u>	<u>754,567</u>
Change in net position before transfers and contributions	2,423	765	(565)	4,345	1,858	5,110
Transfers, net	920	3,366	(920)	(3,366)	-	-
Contributions	<u>69</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>68</u>
Change in net position	3,412	4,199	(1,485)	979	1,927	5,178
Net position – beginning	96,367	92,168	98,632	97,653	194,999	189,821
Net position – ending	<u>\$ 99,779</u>	<u>96,367</u>	<u>97,147</u>	<u>98,632</u>	<u>196,926</u>	<u>194,999</u>

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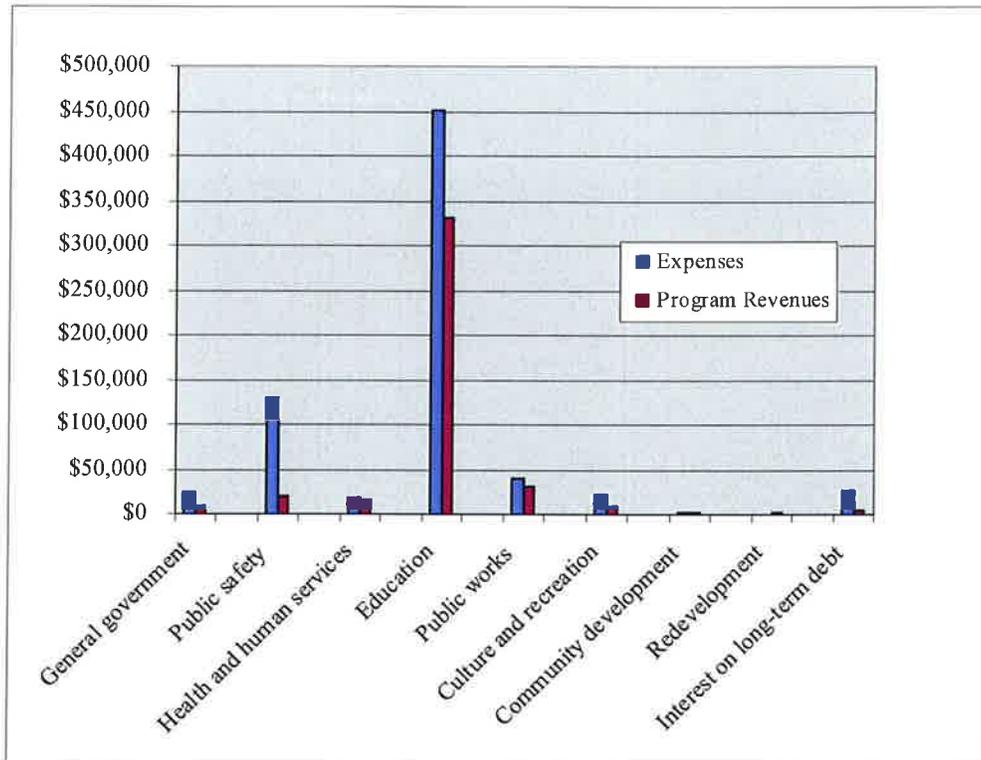
(In thousands of dollars)

Governmental activities – Governmental activities increased the City's net position by \$3,412. The key elements of this increase are as follows:

Total revenues were \$716,379, which was a \$21,965 or 3.2% increase from the previous fiscal year. General revenues increased by \$10,749 or 3.8% as property tax revenue increased by \$7,746 or 3.4%, primarily because of an increase in property taxes committed for collection and other revenue increased by \$2,408 or 24.4% as investment income increased by \$2,151. Capital grants and contributions increased by \$12,561 or 117.5% as state grants for CitySquare project increased by \$8,193 from the prior year.

Total expenses were \$713,956, which was a \$20,307 or 2.9% increase from the previous fiscal year. Education expenses increased by \$16,056 as additional funding came from city, state and federal sources, while there were increases in general government of \$3,100 and public safety of \$3,002. Community development expenses decreased by \$2,579 or 58.6% as grants decreased.

FY 2013 Expenses and Program Revenues– Governmental Activities



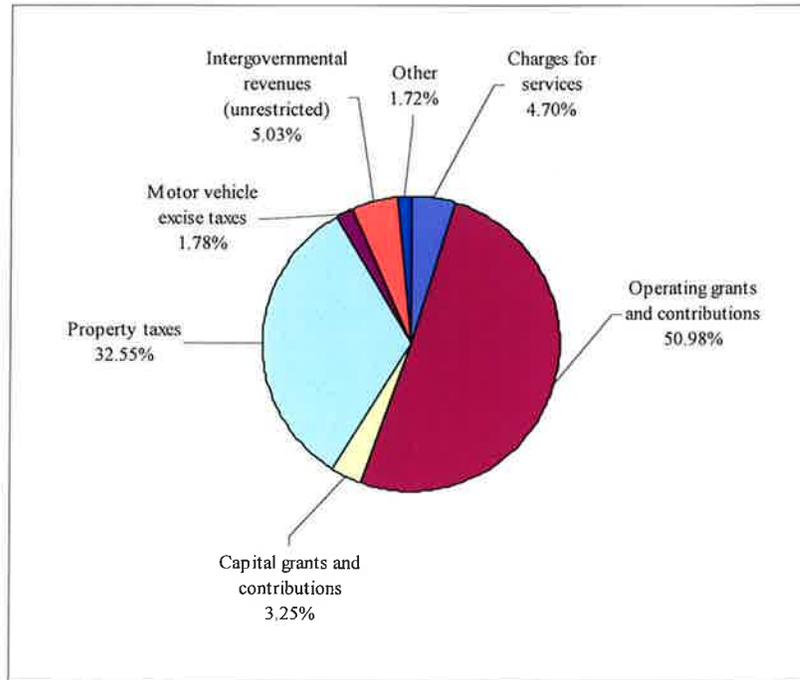
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FY 2013 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net position by \$1,485. Factors contributing to these results are as follows:

- The water fund had operating income of \$3,974 and had an increase in net position of \$1,913. This follows the previous year's \$2,584 increase in net position with an operating income of \$5,511.
- The sewer fund had an operating loss of \$1,282 compared with operating income of \$1,579 in the previous year. Net position decreased by \$3,387, which follows the previous year's \$405 decrease.
- The golf course fund (nonmajor) had an operating loss of \$162 and net position decreased by \$11.

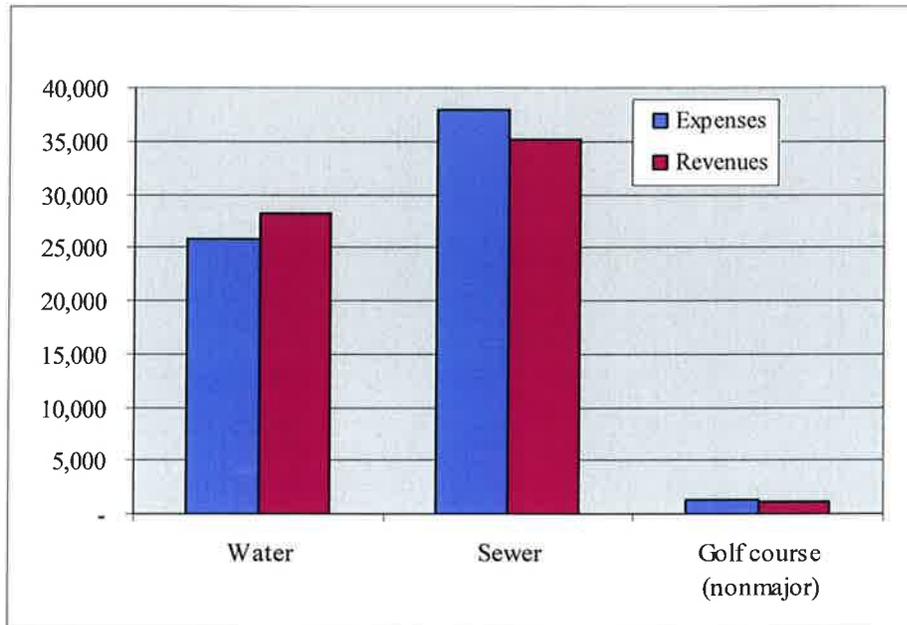
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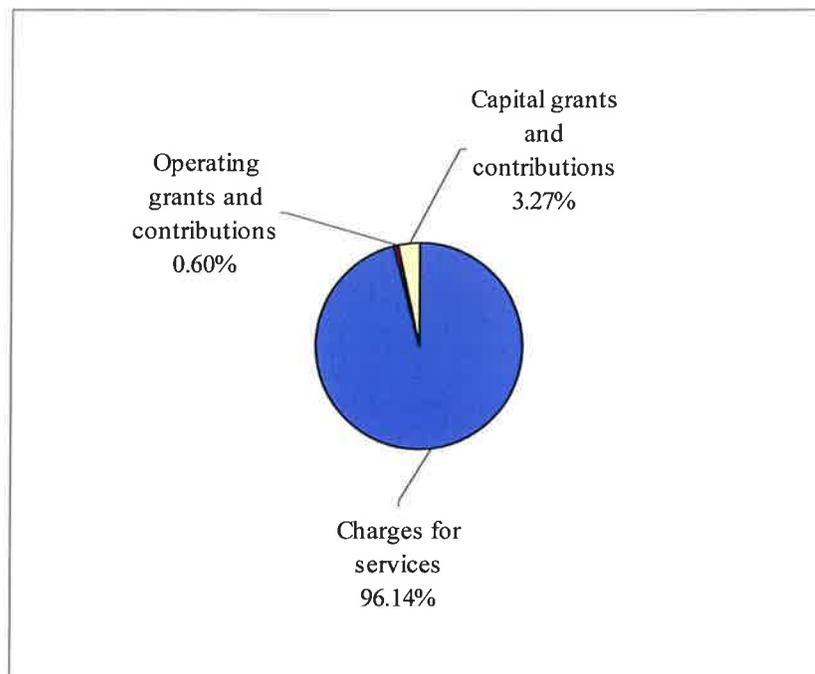
June 30, 2013

(In thousands of dollars)

FY 2013 Expenses and Program Revenues – Business-type Activities



FY 2013 Revenues by Source – Business-type Activities



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Financial Analysis of the City's Funds

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

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

At the end of fiscal 2013, the City's governmental funds reported combined ending fund balances of \$75,733 an increase of \$9,630 or 14.6% from fiscal 2012. Fund balance includes \$15,579 of non-spendable amounts contained in nonexpendable permanent funds and \$27,869 of unassigned general fund balance available for spending at the City's discretion. Deficits in the Rehabilitation of Public Buildings Fund of \$19,384, \$1,396 in the CitySquare fund and \$17,311 in non-major capital projects funds will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds and the \$400 DCU Center deficit in the special revenue fund will be funded by charges for services. The remaining fund balance has \$34,880 restricted for specific purposes or by federal or state grants, \$16,917 of funds committed for debt service and \$18,979 of funds committed in reserve for appropriation accounts by state law or City preference.

The general fund is the chief operating fund of the City. At the end of fiscal 2013 unassigned fund balance of the general fund was \$27,869 or 4.6% of total general fund revenues. During fiscal 2013 the City's general fund balance increased by \$3,557 or 13.2%. Total revenues exceeded expenditures by \$14,301, while transfers out exceeded transfers in by \$13,441. The general fund also received a premium on the issuance of bonds of \$2,697.

CitySquare had a fund balance deficit of \$1,397 at the end of fiscal 2013, a \$4,505 decrease from the previous year. During the year \$10,351 of intergovernmental revenue and a \$1,500 contribution from the developer were received while there was also interest income of \$6. Project expenditures totaled \$16,362.

The debt service fund had a fund balance of \$16,917 at the end of fiscal 2013, a \$4,883 or 40.6% increase from the previous year. During the year \$1,651 in tax revenue was received as well as donations of \$750 from the CitySquare developer and \$1,799 from CSX for project mitigation and there were \$13,936 net transfers in from the general fund. Debt service expenditures were \$13,253.

School grants had a fund balance of \$6,869 at the end of fiscal 2013, a \$1,009 or 12.8% decrease from the previous year. Intergovernmental revenue of \$41,680 was received during the year, a \$5,936 or 12.5% decrease from the prior year as well as \$207 in donations and \$2 for service charges. Total expenditures were \$42,898 a \$6,476 or 13.1% decrease from the prior year.

Rehabilitation of public buildings had a fund balance deficit of \$19,384 at the end of fiscal 2013, a \$129 increase from the previous year. Bond proceeds of \$16,585 were received during the year and net transfers out were \$515. Expenditures totaled \$15,941.

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Other governmental funds had a fund balance of \$42,206 at the end of fiscal 2013, a \$6,575 or 18.5% increase from the previous year. The capital projects funds increased by \$1,137 as expenditures of \$41,130 were exceeded by revenues of \$10,326, net transfers in of \$376 and bond proceeds of \$31,565. Special revenue funds increased by \$3,779 as expenditures of \$54,559 were exceeded by revenues of \$57,735 and net transfers in of \$603. Permanent funds increased by \$1,659 as investment income of \$1,791 and donations of \$69 exceeded transfers out of \$39 and expenditures of \$162.

Enterprise funds – The City's enterprise funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Net position of the enterprise funds at the end of fiscal 2013 totaled \$97,147. This was a \$1,485 decrease from the previous year. The water fund had an increase of \$1,913 while the sewer fund had a decrease of \$3,387 and the golf course fund (nonmajor) had a decrease of \$11. Unrestricted net position consisted of \$1,913 in the water fund, \$9,252 in the sewer fund and (\$143) 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 \$1,071 higher than the original amount. The estimate for property taxes was increased by \$1,488 as additional assessments were added. Also, the estimate for school related Federal Medicare was increased by \$1,001 to match the prior year actual as more funding was provided in a supplemental state budget. The estimate for state local aid was decreased by \$1,418 as the original Charter School reimbursement estimate was reduced by \$418 and indications from the state were that unrestricted aid would be reduced from the original allotment so that estimate was reduced by \$1,000. Additionally, after a review of the structure of its upcoming debt issuance the estimate for premium on debt was increased by \$2,100.

The final budget for transfers-in increased by \$1,325 from the original budget. There was a \$200 transfer from the DCU Center Construction portion of the debt service fund for tourism promotion and there were transfers from various special revenue fund accounts; \$603 from premium on loans to cover debt issuance costs, \$203 from the Public Law 874 reserve to fund school operations, \$134 from payments in-lieu of taxes for the public library and \$106 from miscellaneous reserve accounts. There was also a \$79 transfer from a budgetary basis non-irrevocable trust to fund health costs of airport retirees.

The final general fund expenditure budget was \$2,444 higher than the original. The manager's budget was increased by \$880 as money was added for tourism promotion and operations. The treasurer's budget increased by \$632 primarily because of transfers from premium on loans reserve account to cover borrowing costs. The school budget was increased by \$1,159, \$203 of which was from PL 874 reserves and the rest from the tax levy. The snow budget was increased by \$1,118 to fund higher than expected costs during the year. The DCU Center budget was reduced by \$760 by virtue of transferring its tax levy budget to its special revenue operating account. Additionally, there were miscellaneous transfers into and out of various miscellaneous accounts.

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The final budget and actual for transfers-out increased from the original budget by \$5,638. \$2,731 was used to set-up a budgetary basis trust fund (non-irrevocable) for Other Post-Employment Benefits, \$1,948 went to repay the federal government for ineligible housing rehabilitation expenditures, \$760 was transferred to the DCU Center operating account in the special revenue fund, \$94 was transferred to subsidize the golf enterprise in addition to the \$150 in the original budget and \$107 was transferred to cover year-end deficits in miscellaneous accounts.

The general fund balance had a budgetary basis increase of \$1,162 during the year, which was in addition to increases of \$12,785, \$3,711 and \$5,240 in the three prior years and finished the year with a balance of \$28,207 all of which was unassigned. Revenues exceeded the final budget by \$281 in spite of property taxes falling \$2,933 short of the estimate, which can be attributed to a slow-down in tax title collections combined with net refunds of \$1,305 for prior year taxes because of adjustments to assessed property valuations related to the recent property revaluation process. Helping to offset this was a positive variance in motor vehicle excise of \$1,190 as commitments exceeded expectations. Also, the city received for the first time an unbudgeted reimbursement of \$479 for student busing. State school aid was \$436 over budget and charges for services were \$457 over the final estimate. There were \$3,502 in positive expenditure budget variances, the largest coming from a \$1,098 overestimate of the Charter School charges. Also, there was a favorable variance of \$835 in the public safety category as well as another \$622 from general government. The bottom line was also assisted as premium on loans were \$297 over the final budget.

Capital Assets and Debt Administration

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$861,227. 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 \$41,902 or 5.1%. Governmental activities increased by \$41,543 or 6.9% and business-type activities increased by \$359 or 0.2%.

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

- Streets and sidewalks were improved with costs amounting to \$21,463.
- The CitySquare project had expenditures of \$16,362 as the first phase of demolition of existing structures was completed. Construction was completed on an office tower and a medical office building with private investment. Street and sidewalk construction has also been completed. Total project demolition and infrastructure expenditures to date have been \$64,229.
- Expenditures for parks improvement projects totaled \$5,854 during the year.
- Expenditures during the year for rehabilitation of public buildings were \$15,941 with the majority of it going towards energy improvements.
- Expenditures for the expansion and improvement to the DCU Center totaled \$8,590.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$14,615. Of this amount, \$9,024 was for sewer projects and \$5,590 for water projects. Additionally, business-type entities received \$1,200 in capital donations from owners of subdivisions.

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

	Capital assets (net of accumulated depreciation)					
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 20,400	20,489	6,161	6,161	26,561	26,650
Buildings	347,773	360,191	26,795	26,914	374,568	387,105
Improvements, other than buildings	27,343	27,079	-	-	27,343	27,079
Equipment and other	2,425	2,497	500	584	2,925	3,081
Rolling equipment	5,455	5,841	3,226	4,239	8,681	10,080
Infrastructure	115,846	105,595	178,143	176,280	293,989	281,875
Construction in progress	120,362	76,369	6,798	7,086	127,160	83,455
Total	\$ 639,604	598,061	221,623	221,264	861,227	819,325

Additional information on the City's capital assets can be found in note 8 on pages 72 through 76 of this report.

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$608,183, an increase of \$22,754 or 3.9% 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 466,756	455,539	135,499	123,801	602,255	579,340
Notes payable	4,283	4,396	1,645	1,693	5,928	6,089
Total	\$ 471,039	459,935	137,144	125,494	608,183	585,429

On November 1, 2012 the City issued \$72,133 of general obligation bonds. The proceeds consisted of \$48,150 for governmental activities and \$23,983 for business-type activities. Additionally, on May 16, 2013 the City issued \$6,460 of general obligation refunding bonds.

In relation to the above debt the City maintained a credit rating of AA- from Fitch Ratings and was upgraded from A1 to Aa3 by Moody's Investors Service and from A- to A+ by Standard and Poor's.

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

Additional information on the City's long-term debt can be found in note 11 beginning on page 78 of this report.

CITY OF WORCESTER, MASSACHUSETTS

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Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 9.8% at June 30, 2013, compared with a 9.3% rate that existed a year earlier. This compares with June 30, 2013 unemployment rates of 7.4% in Massachusetts and 7.6% nationally.

A recent study by Colliers International reported that as of June 30, 2013, a sample of 2.02 million square feet of office space in Worcester was 80.3% occupied.

Property values decreased from \$11,277,616 in fiscal 2012 to \$10,878,856, or 3.5%, in fiscal 2013.

The fiscal original 2014 general fund budget anticipates total revenues of \$562,234, premium on loans of \$800 and transfers from other funds of \$2,567 compared with actual results of \$541,691, \$2,697 and \$3,833 respectively in fiscal 2013. It is anticipated that property tax revenue will increase by \$12,105 or 5.2% over the prior year by taxing up to the annual increase in the levy allowed under the state's tax limiting law "Proposition 2½". The City also has available an unused tax levy capacity of \$10,444, which was not used in prior years when the City did not tax up to the annual allowable increase. Additionally, State local aid is anticipated to increase by \$8,987 with increases of \$9,335 in school aid and \$831 in unrestricted general aid and a decrease of \$1,464 in assistance for the Medical City urban renewal project's debt service, which will terminate in fiscal 2014. Other revenue categories were budgeted at levels similar to the prior year.

Fiscal 2014 general fund expenditures were originally budgeted at \$550,745 with transfers out to the debt service fund of \$13,756 and the golf course enterprise fund of \$150 compared with actual results of \$527,134, \$13,936 and \$244 in the prior year. There were also additional transfers out of \$2,815 to the special revenue fund in fiscal 2013, \$1,948 of which was to pay the federal government for ineligible grant expenditures and a \$760 transfer for DCU Center operations. Fiscal 2014 expenditure budgets increased over the prior year actuals by \$8,571 for school operations, \$4,294 for group insurance, \$2,701 for pensions, \$1,711 for public safety, \$1,298 for debt service, \$1,215 for intergovernmental charges and \$1,000 for contingencies.

The original budget plan was for revenues, loan premiums and transfers in to exceed expenditures and transfers out by \$950. Since then appropriations have been made from the \$9,102 of certified "Free Cash". In accordance with the City's "Five Point Plan" 50% of Free Cash or \$4,551 went to a "Bond Rating Stabilization" account, which is accounted for in the general fund and thus will preserve unassigned fund balance, \$4,351 to an OPEB reserve account, which is not irrevocable and is accounted for as restricted in the general fund and \$200 to supplement the school budget.

The City's business-type enterprises are budgeted on a cash basis in accordance with state law. The sewer and water funds are each budgeted to have revenue equal expenditures and transfers out and the golf course is budgeted to need a \$150 transfer from the general fund in order to balance its budget. The sewer fund is budgeted to receive total revenues of \$36,454, \$3,176 more than the prior year actual and water revenue is budgeted at \$28,380, \$1,269 more than the prior year actual. Sewer rates were increased by 7.6% from the prior year and water rates were increased by 6.0%. The golf course anticipates revenues of \$1,201, \$143 more than the prior year with no major rate changes.

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(In thousands of dollars)

Requests for Information

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Auditor, 455 Main Street, Room 102, Worcester, Massachusetts 01608.

Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Position

June 30, 2013

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	\$ 130,546,450	8,241,614	138,788,064	201,822	6,026,686
Restricted cash and cash equivalents	62,541,790	18,155,774	80,697,564	19,107	-
Restricted investments	15,209,937	-	15,209,937	-	4,016,567
Receivables (net):					
Property taxes	5,187,383	-	5,187,383	-	-
Tax and utility liens	3,212,344	1,997,919	5,210,263	-	-
Motor vehicle excise taxes	2,258,335	-	2,258,335	-	-
Charges for services	-	12,155,493	12,155,493	-	441,905
Special assessments	3,198,375	346,073	3,544,448	-	-
Departmental	2,569,371	-	2,569,371	-	-
Intergovernmental	66,395,342	-	66,395,342	69,767	2,217,033
Other	2,278,027	-	2,278,027	2,158	1,011,416
Capital assets, not being depreciated	140,762,076	12,958,170	153,720,246	1,429,950	905,285
Capital assets, net of accumulated depreciation	498,841,854	208,664,676	707,506,530	28,350,378	187,458,477
Total assets	933,001,284	262,519,719	1,195,521,003	30,073,182	202,077,369
Liabilities:					
Accounts payable	46,554,902	2,774,122	49,329,024	113,685	1,082,109
Accrued liabilities	15,708,271	1,495,325	17,203,596	1,399,351	2,687,207
Retainage payable	3,509,288	430,478	3,939,766	-	-
Other liabilities	11,477,064	-	11,477,064	30,842	-
Temporary notes payable	55,017,500	14,995,000	70,012,500	-	-
Noncurrent liabilities:					
Due within one year	49,983,451	14,255,395	64,238,846	6,426,591	7,177,517
Due in more than one year	650,972,028	131,422,565	782,394,593	1,302,792	169,159,575
Total liabilities	833,222,504	165,372,885	998,595,389	9,273,261	180,106,408
Net position:					
Net investment in capital assets	310,299,166	86,122,489	396,421,655	26,167,198	18,003,539
Restricted for:					
Nonexpendable permanent funds	15,578,927	-	15,578,927	-	-
Expendable permanent funds	110,610	-	110,610	-	-
State and federal grants	19,583,503	-	19,583,503	-	-
Other specific purposes	8,261,059	-	8,261,059	-	-
Unrestricted (deficit)	(254,054,485)	11,024,345	(243,030,140)	(5,367,277)	3,967,422
Total net position	\$ 99,778,780	97,146,834	196,925,614	20,799,921	21,970,961

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2013

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	\$ 24,651,844	3,703,090	4,694,749	-	(16,254,005)
Public safety	129,490,275	14,968,773	4,273,453	-	(110,248,049)
Health and human services	18,395,937	1,156,729	14,876,192	-	(2,363,016)
Education	451,582,196	1,898,929	327,845,542	1,000,000	(120,837,725)
Public works	40,386,622	9,920,242	1,144,502	19,264,709	(10,057,169)
Culture and recreation	21,756,252	1,964,167	3,426,811	2,987,331	(13,377,943)
Community development	1,820,141	29,394	2,704,165	-	913,418
Redevelopment	-	-	1,446,000	-	1,446,000
Interest on debt	25,873,154	-	4,815,502	-	(21,057,652)
Total governmental activities	<u>713,956,421</u>	<u>33,641,324</u>	<u>365,226,916</u>	<u>23,252,040</u>	<u>(291,836,141)</u>
Business-type activities:					
Water	25,733,997	26,838,258	150,800	1,237,381	2,492,442
Sewer	37,991,042	34,065,545	234,400	868,195	(2,822,902)
Golf course (nonmajor)	1,292,688	1,058,041	-	-	(234,647)
Total business-type activities	<u>65,017,727</u>	<u>61,961,844</u>	<u>385,200</u>	<u>2,105,576</u>	<u>(565,107)</u>
Total primary government	<u>\$ 778,974,148</u>	<u>95,603,168</u>	<u>365,612,116</u>	<u>25,357,616</u>	<u>(292,401,248)</u>
Component units:					
Worcester Redevelopment Authority	\$ 2,184,943	497,174	-	-	(1,687,769)
Upper Blackstone Water Pollution Abatement District	24,525,408	20,580,279	-	1,673,507	(2,271,622)
Total component units	<u>\$ 26,710,351</u>	<u>21,077,453</u>	<u>-</u>	<u>1,673,507</u>	<u>(3,959,391)</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Changes in net position:					
Net (expense) revenue (from previous page)	\$ (291,836,141)	(565,107)	(292,401,248)	(1,687,769)	(2,271,622)
General revenues:					
Property taxes	233,205,878	-	233,205,878	-	-
Motor vehicle excise taxes	12,719,768	-	12,719,768	-	-
Other taxes and in-lieu payments	5,623,557	-	5,623,557	-	-
Penalties and interest on taxes	2,532,025	-	2,532,025	-	-
Intergovernmental revenues (unrestricted)	36,038,870	-	36,038,870	-	-
Investment earnings	2,115,956	-	2,115,956	304	299,845
Gain on sale of capital assets	564,139	-	564,139	-	-
Miscellaneous	1,458,096	-	1,458,096	-	-
Transfers (net)	920,276	(920,276)	-	-	-
Total general revenues and transfers (net)	295,178,565	(920,276)	294,258,289	304	299,845
Contributions to permanent funds	69,220	-	69,220	-	-
Sub-total	295,247,785	(920,276)	294,327,509	304	299,845
Change in net position	3,411,644	(1,485,383)	1,926,261	(1,687,465)	(1,971,777)
Net position - beginning	96,367,136	98,632,217	194,999,353	22,487,386	23,942,738
Net position - ending	\$ 99,778,780	97,146,834	196,925,614	20,799,921	21,970,961

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet
Governmental Funds
June 30, 2013

Assets:	General	CitySquare	Debt Service	School Grants	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ 72,039,226	-	16,917,364	-	-	18,978,934	107,935,524
Restricted cash and cash equivalents	2,652,452	1,685,813	-	6,997,787	7,768,239	43,437,499	62,541,790
Restricted investments	-	-	-	-	-	15,209,937	15,209,937
Receivables (net of allowance for uncollectibles of \$10,007,013)	15,444,887	-	-	-	-	980,921	16,425,808
Due from other governments	64,406,755	-	-	47,192	-	1,941,395	66,395,342
Total assets	\$ 154,543,320	1,685,813	16,917,364	7,044,979	7,768,239	80,548,686	268,508,401
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ 37,919,935	1,037,035	-	175,979	968,365	6,453,588	46,554,902
Retainage payable	-	40,381	-	-	2,063,815	1,405,092	3,509,288
Temporary loans	-	2,005,000	-	-	24,120,000	28,892,500	55,017,500
Deferred revenue	75,235,537	-	-	-	-	980,921	76,216,458
Other liabilities	10,866,654	-	-	-	-	610,410	11,477,064
Total liabilities	124,022,126	3,082,416	-	175,979	27,152,180	38,342,511	192,775,212
Fund balances:							
Nonspendable	-	-	-	-	-	15,578,927	15,578,927
Restricted	2,652,452	-	-	6,869,000	-	25,358,840	34,880,292
Committed	-	-	16,917,364	-	-	18,978,934	35,896,298
Unassigned	27,868,742	(1,396,603)	-	-	(19,383,941)	(17,710,526)	(10,622,328)
Total fund balances	30,521,194	(1,396,603)	16,917,364	6,869,000	(19,383,941)	42,206,175	75,733,189
Total liabilities and fund balances	\$ 154,543,320	1,685,813	16,917,364	7,044,979	7,768,239	80,548,686	268,508,401

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2013

Total governmental fund balances (Exhibit 3)	\$ 75,733,189
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	639,603,930
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	76,216,458
An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	17,915,315
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(8,734,633)
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	(476,805,339)
OPEB	(194,389,219)
Judgments and claims	(11,648,781)
Compensated absences	(13,342,357)
Landfill closure costs	(4,769,783)
Net position of governmental activities (Exhibit 1)	\$ 99,778,780

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, 2013

	General	CitySquare	Debt Service	School Grants	Rehabilitation of Public Buildings	Other governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 233,327,546	-	-	-	-	-	233,327,546
Motor vehicle excise taxes	12,843,389	-	-	-	-	-	12,843,389
Other taxes and in-lieu payments	4,412,866	-	1,651,051	-	-	-	6,063,917
Penalties and interest on taxes	2,532,025	-	-	-	-	-	2,532,025
Licenses and permits	4,991,676	-	-	-	-	-	4,991,676
Intergovernmental	332,725,986	10,351,061	-	41,679,645	-	40,289,979	425,046,671
Charges for services	5,745,683	-	-	1,865	-	18,358,322	24,105,870
Fines and forfeitures	2,594,179	-	-	-	-	-	2,594,179
Investment earnings	318,410	5,925	-	-	-	1,791,621	2,115,956
Donations	-	1,500,000	2,548,930	207,457	-	7,139,168	11,395,555
Contributions to permanent funds	-	-	-	-	-	69,220	69,220
Miscellaneous	1,112,215	-	-	-	-	340,112	1,452,327
Total revenues	600,603,975	11,856,986	4,199,981	41,888,967	-	67,988,422	726,538,331
Expenditures:							
Current:							
General government	15,569,879	-	-	-	11,728,302	4,612,718	31,910,899
Public safety	80,412,429	-	-	-	87,352	12,814,046	93,313,827
Health and human services	926,099	-	-	-	-	14,620,833	15,546,932
Education	235,105,509	-	-	42,898,311	2,574,584	16,378,636	296,957,040
Public works	18,995,156	16,362,014	-	-	971,332	24,808,329	61,136,831
Culture and recreation	8,467,274	-	-	-	579,227	17,543,352	26,589,853
Fringe benefits	148,073,289	-	-	-	-	-	148,073,289
Community development	-	-	-	-	-	1,820,141	1,820,141
State and regional charges	31,243,300	-	-	-	-	-	31,243,300
Debt service:							
Principal	26,516,543	-	8,150,232	-	-	2,079,394	36,746,169
Interest	20,993,228	-	5,102,253	-	-	1,173,665	27,269,146
Total expenditures	586,302,706	16,362,014	13,252,485	42,898,311	15,940,797	95,851,114	770,607,427
Excess (deficiency) of revenues over expenditures	14,301,269	(4,505,028)	(9,052,504)	(1,009,344)	(15,940,797)	(27,862,692)	(44,069,096)
Other financing sources (uses):							
Transfers in	3,754,343	-	14,135,797	-	300,000	8,927,264	27,117,404
Transfers out	(17,194,899)	-	(200,000)	-	(815,000)	(7,987,229)	(26,197,128)
Premium on issuance of bonds	2,696,546	-	-	-	-	1,092,895	3,789,441
Issuance of bonds	-	-	-	-	16,585,000	31,565,000	48,150,000
Premium on issuance of refunding bonds	-	-	-	-	216,600	83,200	299,800
Issuance of refunding bonds	-	-	-	-	2,178,500	836,700	3,015,200
Refunded bonds redeemed	-	-	-	-	(2,395,100)	(919,900)	(3,315,000)
Sale of capital assets	-	-	-	-	-	839,769	839,769
Total other financing sources (uses)	(10,744,010)	-	13,935,797	-	16,070,000	34,437,699	53,699,486
Net change in fund balances	3,557,259	(4,505,028)	4,883,293	(1,009,344)	129,203	6,575,007	9,630,390
Fund balances – beginning (as restated)	26,963,935	3,108,425	12,034,071	7,878,344	(19,513,144)	35,631,168	66,102,799
Fund balances – ending	\$ 30,521,194	(1,396,603)	16,917,364	6,869,000	(19,383,941)	42,206,175	75,733,189

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, 2013

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 9,630,390
<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	70,114,865
Capital donations	1,075,144
Depreciation	(29,377,086)
<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>	
	(269,861)
<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>	
	(12,035,394)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of 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>	
Issuance of bonds	(48,150,000)
Issuance of refunding bonds	(3,015,200)
Bond maturities	36,746,169
Refunded bonds redeemed	3,315,000
Net deferrals and amortization of bond premiums	(2,458,931)
<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>	
	65,482
<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>	
	(1,573,817)
<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	(20,012,428)
Judgments and claims	(550,841)
Compensated absences	(151,038)
Landfill closure and postclosure care	59,190
Change in net position of governmental activities (Exhibit 2)	<u>\$ 3,411,644</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,105,225	4,052,063	84,326	8,241,614	22,610,926
Restricted cash and cash equivalents	6,001,270	12,000,698	153,806	18,155,774	-
Receivables (net)	4,368,245	10,131,240	-	14,499,485	2,278,027
Total current assets	<u>14,474,740</u>	<u>26,184,001</u>	<u>238,132</u>	<u>40,896,873</u>	<u>24,888,953</u>
Noncurrent assets:					
Capital assets:					
Land	6,044,000	116,500	-	6,160,500	-
Buildings	41,640,774	4,947,815	965,493	47,554,082	-
Infrastructure	148,254,192	173,164,859	1,709,730	323,128,781	-
Construction in progress	1,474,428	5,322,017	1,225	6,797,670	-
Equipment and other	402,918	515,744	-	918,662	-
Rolling equipment	2,483,494	6,414,070	-	8,897,564	-
Less accumulated depreciation	<u>(83,871,419)</u>	<u>(86,949,968)</u>	<u>(1,013,026)</u>	<u>(171,834,413)</u>	<u>-</u>
Capital assets, net	<u>116,428,387</u>	<u>103,531,037</u>	<u>1,663,422</u>	<u>221,622,846</u>	<u>-</u>
Total assets	<u>130,903,127</u>	<u>129,715,038</u>	<u>1,901,554</u>	<u>262,519,719</u>	<u>24,888,953</u>
Liabilities:					
Current liabilities:					
Accounts payable	1,118,028	1,571,493	84,601	2,774,122	-
Accrued liabilities	806,823	675,669	12,833	1,495,325	6,973,638
Retainage payable	161,913	267,340	1,225	430,478	-
Judgments and claims	220,815	163,010	-	383,825	-
Compensated absences	383,937	167,060	8,905	559,902	-
Temporary loans	4,755,000	10,140,000	100,000	14,995,000	-
Other	2,202	3,360	-	5,562	-
Bonds and notes payable	8,847,806	4,302,500	155,800	13,306,106	-
Total current liabilities	<u>16,296,524</u>	<u>17,290,432</u>	<u>363,364</u>	<u>33,950,320</u>	<u>6,973,638</u>
Noncurrent liabilities:					
Judgments and claims	1,126,820	1,194,785	-	2,321,605	-
Compensated absences	110,766	34,456	4,209	149,431	-
OPEB payable	3,161,168	1,798,982	115,873	5,076,023	-
Other	4,459	32,981	-	37,440	-
Bonds and notes payable	58,749,994	63,548,872	1,539,200	123,838,066	-
Total noncurrent liabilities	<u>63,153,207</u>	<u>66,610,076</u>	<u>1,659,282</u>	<u>131,422,565</u>	<u>-</u>
Total liabilities	<u>79,449,731</u>	<u>83,900,508</u>	<u>2,022,646</u>	<u>165,372,885</u>	<u>6,973,638</u>
Net position (deficit):					
Net investment in capital assets	49,538,938	36,561,598	21,953	86,122,489	-
Unrestricted	1,914,458	9,252,932	(143,045)	11,024,345	17,915,315
Total net position (deficit)	<u>\$ 51,453,396</u>	<u>45,814,530</u>	<u>(121,092)</u>	<u>97,146,834</u>	<u>17,915,315</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2013

	Business-type activities			Totals	Governmental
	Major		Nonmajor		Internal
	Water	Sewer	Golf Course		Service Fund
Operating revenues:					
Charges for services	\$ 25,656,053	33,362,557	-	59,018,610	-
Employer contributions	-	-	-	-	55,757,922
Employee contributions	-	-	-	-	19,394,452
Fees	-	-	1,055,618	1,055,618	-
Miscellaneous	1,182,205	702,988	2,423	1,887,616	-
Total operating revenues	26,838,258	34,065,545	1,058,041	61,961,844	75,152,374
Operating expenses:					
Salaries and benefits	9,504,221	5,415,146	313,748	15,233,115	-
Benefit payments	-	-	-	-	76,789,303
Ordinary maintenance	5,177,780	20,439,955	739,253	26,356,988	-
Indirect costs	2,055,599	3,267,580	29,803	5,352,982	-
Depreciation	6,126,158	6,225,081	137,047	12,488,286	-
Total operating expenses	22,863,758	35,347,762	1,219,851	59,431,371	76,789,303
Operating income (loss)	3,974,500	(1,282,217)	(161,810)	2,530,473	(1,636,929)
Nonoperating revenues					
(expenses):					
Premium on issuance of refunding bonds	150,800	234,400	-	385,200	-
Investment income	-	-	-	-	63,112
Interest expense	(2,870,239)	(2,643,280)	(72,837)	(5,586,356)	-
Total nonoperating revenues (expenses)	(2,719,439)	(2,408,880)	(72,837)	(5,201,156)	63,112
Income (loss) before capital donations and transfers	1,255,061	(3,691,097)	(234,647)	(2,670,683)	(1,573,817)
Capital contributions	1,237,381	868,195	-	2,105,576	-
Transfers in	172,500	-	244,239	416,739	-
Transfers out	(751,751)	(564,811)	(20,453)	(1,337,015)	-
Change in net position	1,913,191	(3,387,713)	(10,861)	(1,485,383)	(1,573,817)
Total net position – beginning	49,540,205	49,202,243	(110,231)	98,632,217	19,489,132
Total net position – ending	\$ 51,453,396	45,814,530	(121,092)	97,146,834	17,915,315

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2013

	Business-type activities				Governmental activities
	Major		Nonmajor	Totals	Internal Service Fund
	Water	Sewer	Golf Course		
Cash flows from operating activities:					
Receipts from customers	\$ 27,111,662	33,704,814	1,058,041	61,874,517	75,152,374
Payments for interfund service provided	-	-	-	-	(78,983,319)
Payments to suppliers	(7,331,335)	(21,973,687)	(730,218)	(30,035,240)	-
Payments to employees	(9,095,163)	(5,278,316)	(302,242)	(14,675,721)	-
Net cash provided (used) by operating activities	<u>10,685,164</u>	<u>6,452,811</u>	<u>25,581</u>	<u>17,163,556</u>	<u>(3,830,945)</u>
Cash flows from noncapital financing activities:					
Transfers in	172,500	-	244,239	416,739	-
Transfers (out)	(751,751)	(564,811)	(20,453)	(1,337,015)	-
Net cash provided (used) by noncapital financing activities	<u>(579,251)</u>	<u>(564,811)</u>	<u>223,786</u>	<u>(920,276)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Intergovernmental subsidies and grants	723,180	182,593	-	905,773	-
Issuance of capital debt	15,931,200	26,366,600	125,000	42,422,800	-
Premium from issuance of refunding bonds	150,800	234,400	-	385,200	-
Acquisition and construction of capital assets	(4,042,620)	(7,793,318)	-	(11,835,938)	-
Principal paid on capital debt	(19,768,721)	(20,014,030)	(178,000)	(39,960,751)	-
Interest paid on capital debt	(2,978,567)	(2,673,637)	(72,732)	(5,724,936)	-
Net cash provided (used) by capital and related financing activities	<u>(9,984,728)</u>	<u>(3,697,392)</u>	<u>(125,732)</u>	<u>(13,807,852)</u>	<u>-</u>
Cash flows from investing activities:					
Investment income	-	-	-	-	63,112
Net increase (decrease) in cash and cash equivalents	<u>121,185</u>	<u>2,190,608</u>	<u>123,635</u>	<u>2,435,428</u>	<u>(3,767,833)</u>
Cash and cash equivalents at beginning of year (includes \$6,094,178, \$10,107,544 and \$67,006 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>9,985,310</u>	<u>13,862,153</u>	<u>114,497</u>	<u>23,961,960</u>	<u>26,378,759</u>
Cash and cash equivalents at end of year (includes \$6,001,270, \$12,000,698 and \$153,806 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	<u>\$ 10,106,495</u>	<u>16,052,761</u>	<u>238,132</u>	<u>26,397,388</u>	<u>22,610,926</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 3,974,500	(1,282,217)	(161,810)	2,530,473	(1,636,929)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities not requiring current expenditure of cash:					
Depreciation expense	6,126,158	6,225,081	137,047	12,488,286	-
Increase in OPEB payable	413,374	149,930	11,061	574,365	-
Changes in assets and liabilities requiring current expenditure of cash:					
(Increase) decrease in accounts receivable	273,404	(360,731)	-	(87,327)	(1,434,605)
Increase (decrease) in accounts payable	(233,351)	591,388	39,155	397,192	(1,309,513)
Increase (decrease) in accrued liabilities	-	-	-	-	550,102
Increase (decrease) in judgments and claims payable	136,276	1,144,929	-	1,281,205	-
Increase in compensated absences payable	(5,197)	(15,569)	128	(20,638)	-
Total adjustments	<u>6,710,664</u>	<u>7,735,028</u>	<u>187,391</u>	<u>14,633,083</u>	<u>(2,194,016)</u>
Net cash provided (used) by operating activities	<u>\$ 10,685,164</u>	<u>6,452,811</u>	<u>25,581</u>	<u>17,163,556</u>	<u>(3,830,945)</u>
Noncash investing, capital and financing activities:					
Capital donations	\$ 514,201	685,602	-	1,199,803	-

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

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

(a) *Financial Reporting Entity*

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

Primary Government

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2013, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2012.

Fiduciary Fund Component Unit

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Discretely Presented Component Units

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Joint Venture

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 34 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 2013 amounted to \$2,825, which represented approximately 74.3% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 60 Foster Street, Worcester, Massachusetts 01608.

Related Organization

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

(b) *Implementation of New Accounting Principles*

For the year ending June 30, 2013, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and other pronouncements, by renaming net assets to net position.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the City.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

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

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

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

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

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

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

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) claims and judgments (including self-insurance), compensated absences and landfill closure and 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 and report all financial resources not accounted for and reported in another fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for CitySquare, North High School, Airport, DCU Center Improvements and CSX debt service.
- **School Grants Fund** – The school grants fund accounts for school programs funded by grants.
- **Rehabilitation of Public Buildings** – The rehabilitation of public buildings fund accounts for improvements to City owned buildings.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

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

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

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

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

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

(e) Assets, Liabilities, Net Position and Fund Balances

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(d). The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated uncollectibles.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

Inventory

The cost of supplies and other inventoriable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2013 and therefore are not reported.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years. The WRA and the District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2013. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Compensated Absences

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

Net Position and Fund Balances

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

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

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

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

"Other specific purposes" represents restrictions placed on assets other than from state and federal granting agencies.

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

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

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

"Committed" — represents amounts that can be used only for specific purposes imposed by a formal action of City Council, which is the highest level of decision-making authority for the City. Committed amounts may be established, modified, or rescinded only through "Council Orders" voted and approved by City Council.

"Assigned" — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

“Unassigned” – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

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

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

Securities Lending Transactions

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

Landfill Closure and Post Closure Care Costs

State and federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2013, 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 position. Expenditures related to MSWLF closure and post closure care in fiscal 2013 were \$59.

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

June 30, 2013

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

Investment Income

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

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

Use of Estimates

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

Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(2) Property Taxes

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(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.

The composition of the City's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid and capital outlays.

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2013, \$220,095 of the City's bank balance of \$255,646 was insured and collateralized with securities held by pledging financial institutions and \$35,551 was uninsured and uncollateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Investments Summary

The City's investments at June 30, 2013, 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.....	\$ 491	15	350	72	54
U.S. Agencies.....	49	-	1	1	47
Corporate bonds.....	232	29	70	75	58
Money market mutual funds.....	350	350	-	-	-
Commercial paper.....	4,105	4,105	-	-	-
Mutual bond funds.....	2,363	2,363	-	-	-
Fixed income securities.....	3,097	3,097	-	-	-
External investment pools.....	<u>33,106</u>	<u>33,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>43,793</u>	<u>43,065</u>	<u>421</u>	<u>148</u>	<u>159</u>
<u>Other Investments:</u>					
Equity securities.....	824				
Equity mutual funds.....	<u>4,056</u>				
Total other investments.....	<u>4,880</u>				
Total investments.....	<u>\$ 48,673</u>				

Investments - Interest Rate Risk of Debt Securities

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2013, none of the City's investments were exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2013, the credit quality ratings (per Standard & Poors, a national credit rating organization) of the City's investment in debt securities (including implicitly-guaranteed investments in U.S. Agencies) are as follows:

<u>Quality Ratings</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Commercial Paper</u>	<u>Mutual Bond Funds</u>	<u>Fixed Income Securities</u>	<u>External Investment Pools</u>	<u>Totals</u>
AAA.....	\$ 49	-	-	117	-	-	-	166
AA.....	-	15	-	269	-	-	-	284
AA-.....	-	21	-	131	-	-	-	152
A+.....	-	25	-	343	-	-	-	368
A.....	-	31	-	443	-	-	-	474
A-.....	-	37	-	596	-	-	-	633
BBB+.....	-	26	-	250	-	-	-	276
BBB.....	-	68	-	413	-	-	-	481
BBB-.....	-	9	-	289	-	-	-	298
BB+.....	-	-	-	103	-	-	-	103
BB.....	-	-	-	339	-	-	-	339
BB-.....	-	-	-	96	-	-	-	96
Unrated.....	-	-	350	716	2,363	3,097	33,106	39,632
Total.....	\$ 49	232	350	4,105	2,363	3,097	33,106	43,302

(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, 2013

(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 \$250 of deposits held at each financial institution. As of December 31, 2012, the WRS's bank balance of \$1,678 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 52,514	326	21,698	15,676	14,814
U.S. Agencies.....	17,396	-	3,224	469	13,703
Corporate bonds.....	38,022	680	12,435	13,803	11,104
Money market mutual funds.....	3,626	3,626	-	-	-
Securities lending short-term collateral investment pool.....	34,050	34,050	-	-	-
Other fixed income.....	39,676	28,877	1,216	-	9,583
Total debt securities.....	185,284	67,559	38,573	29,948	49,204
<u>Other Investments:</u>					
Equity securities.....	17,543				
Equity mutual funds.....	322,814				
Real estate investments.....	93,088				
Alternative investments.....	145,481				
Total other investments.....	578,926				
Total investments.....	\$ 764,210				

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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the 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, 2012, 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 includes a policy of an 80%/20% split between investment grade (BBB/Baa and above) and below investment grade (BB/Ba and lower) debt securities. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's. As of December 31, 2012, the credit quality ratings of the WRS's debt securities are as follows:

Quality Ratings	Investment Type				Fair Value
	Corporate Bonds	Money Mutual Funds	Securities Lending Pool	Other Fixed Income	
AAA.....	\$ -	-	-	1,304	1,304
AA+.....	1,296	-	-	419	1,715
AA-.....	501	-	-	-	501
A+.....	1,471	-	-	-	1,471
A.....	682	-	-	38	720
A-.....	3,965	-	-	463	4,428
BBB+.....	4,021	-	-	77	4,098
BBB.....	2,924	-	-	-	2,924
BBB-.....	3,879	-	-	-	3,879
BB+.....	1,721	-	-	80	1,801
BB.....	1,845	-	-	137	1,982
BB-.....	2,187	-	-	-	2,187
B+.....	2,814	-	-	68	2,882
B.....	2,595	-	-	-	2,595
B-.....	2,178	-	-	79	2,257
CCC+.....	2,127	-	-	-	2,127
CCC.....	1,596	-	-	330	1,926
CCC-.....	585	-	-	-	585
CC.....	-	-	-	411	411
D.....	72	-	-	618	690
Unrated.....	1,563	3,626	34,050	35,652	74,891
Total.....	\$ 38,022	3,626	34,050	39,676	115,374

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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, 2012, the WRS’s exposure to foreign currency risk is as follows:

<u>Deposit/Investment Type</u>	<u>U.S. Dollar Balances</u>	<u>Currency</u>
U.S. Agencies.....	\$ 656	Mexican peso
Corporate bonds.....	572	Philippine peso
U.S. Agencies.....	209	Chilean peso
Corporate bonds.....	249	Austalian dollar
Corporate bonds.....	372	Euro
U.S. Agencies.....	1,012	Euro
Corporate bonds.....	465	Brazilian real
U.S. Agencies.....	161	Brazilian real
U.S. Agencies.....	<u>164</u>	Uruguayan peso
 Total.....	 <u>\$ 3,860</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, 2012, 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 \$250 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2013, the District’s deposits were fully insured and collateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Investments Summary

The District's investments at June 30, 2013, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
<u>Debt Securities:</u>			
U.S. Treasuries	\$ 381	381	-
U.S. Agencies	1,930	293	1,637
U.S. Treasuries Mutual Fund	73	73	-
Total debt securities	<u>2,384</u>	<u>747</u>	<u>1,637</u>
<u>Other Investments:</u>			
Equity securities - Domestic	1,575		
Equity securities - International	<u>58</u>		
Total investments	<u>\$ 4,017</u>		

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure by the custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's securities are the custody of Fidelity Investments at June 30, 2013. The District's securities are protected under Securities and Exchange Commission Rule 15c3-3. As of June 30, 2013, none of the District's investments were subject to custodial credit risk.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(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. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a Aaa rating by Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2013, the credit quality ratings of the District's U.S Treasury and U.S. Agency investments were Aaa rated or backed by the full faith of the U.S. Treasury.

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, 2013, 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, 2013, WRA's bank balance of \$202 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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, 2012. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which WRS could not determine.

At December 31, 2012, 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, 2012 was \$34,050 and \$19,098, respectively. Borrower rebates and fees paid to the broker were \$47 for the year ended December 31, 2012.

(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 December 31, 2012, the City's payroll for employees covered by WRS was approximately \$166,095; the City's total payroll was approximately \$353,000.

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, 2012:

Active employees	3,260
Pensioners and beneficiaries	2,754
Inactive employees with vested rights	<u>720</u>
Total members	<u><u>6,734</u></u>
Number of participating employers	<u><u>2</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(b) Significant Plan Provisions and Requirements

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

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(c) *Funding Policy*

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

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

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$1,529 for the fiscal year ended June 30, 2013 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 92% respectively of the total.

(d) *Annual Pension Cost*

For the year ended June 30, 2013 the required and actual contribution was \$32,246. For the year ended June 30, 2012 the required and actual contribution was \$29,720 and for the year ended June 30, 2011 the required and actual contribution was \$27,277. At June 30, 2013, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2013, actuarial valuation using the entry age normal actuarial cost method.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(e) Funded Status and Funding Progress

The funded status of the WRS at January 1, 2013, the most recent actuarial valuation date, is as follows:

Schedule of funding progress						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Projected Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2013	\$ 706,951	1,117,439	410,488	63.27%	\$ 166,095	247.14%

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, 2013
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002 and 2010 ERI liability and the Section 90 ACD liability and 4.0% increasing payments on the remaining unfunded liability beginning in fiscal year 2016. Prior to fiscal 2016, the appropriation for fiscal 2014 and 2015 are 8% higher than the prior fiscal year; the payment on the remaining unfunded liability for fiscal 2015 is 14.99% higher than the prior year.
Remaining amortized period	5 years for the 2002 ERI liability
(period is closed)	8 years for the 2010 ERI liability 1 year for the Section 90 ACD liability and 19 years for the remaining unfunded liability
Asset valuation method	18 years is the equivalent single amortization period (ESAP) Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the market value.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Actuarial assumptions

Investment rate of return	7.75%
Projected salary increases	4.50%
Rate of inflation	3.50%
Cost of living adjustments	3.00% of the first \$13 of retirement income

(g) Legally Required Reserve Accounts

The balance in WRS's legally required reserves as of December 31, 2012 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 172,551	Active members' contribution balance
Annuity Reserve Fund	55,270	Retired members' contribution account
Military Service Fund	16	Members' contribution account while on military leave
Pension Reserve Fund	495,699	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>5,931</u>	Remaining net position
 Total	 <u>\$ 729,467</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 2013 was approximately \$162,525. 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

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Participation in the plan requires that members contribute a fixed percentage of their gross regular compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. The contribution rate will be reduced to 8% of regular compensation when at least 30 years of creditable service has been granted. Employee contributions vest immediately. 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 member's final three-year average salary (final five-year average salary if hired on or after April 2, 2012) of employee service and are determined in a manner similar to the provisions of WRS (see note 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 \$57,639 for the fiscal year ended June 30, 2013 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

(6) Other Post-Employment Benefits (OPEB)

(a) Plan Description - City

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

Active employees	4,154
Retired employees, beneficiaries and dependents	<u>4,873</u>
Total	<u>9,027</u>

(b) Funding Policy - City

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

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

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

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

	<u>Amount</u>
Annual required contribution	\$ 46,188
Interest on net OPEB obligation	7,155
Adjustment to annual required contribution	<u>(12,377)</u>
Annual OPEB cost	40,966
Contributions made	<u>(20,380)</u>
Increase in net OPEB obligation	20,586
Net OPEB obligation at beginning of year	<u>178,879</u>
Net OPEB obligation at end of year	<u>\$ 199,465</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 53,748	40.6	160,013
June 30, 2012	39,370	52.0	178,879
June 30, 2013	40,966	50.0	199,465

(d) Funded Status and Funding Progress - City

The funded status of the Plan at July 1, 2011, 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>Projected Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/11	\$ -	636,335	636,335	0.0%	\$ 313,753	203%

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

(e) Methods and Assumptions - City

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar, closed
Remaining amortization period:	26 years as of July 1, 2011
Interest discount rate:	4.0%
Inflation rate:	4.0%
Healthcare/Medical cost trend rate:	9.0% decreasing 0.5% for 8 years to an ultimate level of 5.0% per year

(f) Allocation of AOPEBC - City

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

Governmental Activities:

General government	\$ 2,741
Public safety	8,946
Health and human services	376
Education	25,151
Public works	1,479
Culture and recreation	<u>1,026</u>
Total AOPEBC - governmental activities	<u>39,719</u>

Business-Type Activities:

Water	888
Sewer	348
Golf course (nonmajor)	<u>11</u>
Total AOPEBC - business-type activities	<u>1,247</u>
Total AOPEBC	<u>\$ 40,966</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(g) Plan Description – The District

The District provides health and life insurance benefits to retired employees and their survivors through the Commonwealth’s Group Insurance Commission (GIC), a cost-sharing multiple employer plan (hereinafter referred to as the “Plan”). Specific benefit provisions and contribution rates are established by GIC. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume and pay all claims for specific plans. The Plan does not issue a 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, 2013, the latest actuarial valuation, is as follows:

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

(h) Funding Policy – The District

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

	<u>Amount</u>
Annual required contribution	\$ 396
Interest on net OPEB obligation	65
Adjustment to annual required contribution	<u>(58)</u>
Annual OPEB cost	403
Contributions made	<u>(206)</u>
Increase in net OPEB obligation	197
Net OPEB obligation at beginning of year	<u>1,863</u>
Net OPEB obligation at end of year	<u>\$ 2,060</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</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOPEBC)</u>	<u>Percentage</u> <u>of AOPEBC</u> <u>Contributed (%)</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 524	22.9	1,468
June 30, 2012	546	27.7	1,863
June 30, 2013	403	51.0	2,060

(j) Funded Status and Funding Progress – The District

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(k) Methods and Assumptions – The District

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

Valuation date:	June 30, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percent of pay assuming 4.0% increasing, opening basis
Remaining amortization period:	30 years as of July 1, 2012 (open)
Interest discount rate:	3.5%
Inflation rate:	4.0%
Healthcare/Medical cost trend rate:	6.0% initially reduced to 4.5% after three years

(7) Accounts Receivable

At June 30, 2013, 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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Property taxes	\$ 8,311	(3,124)	5,187
Tax liens	3,537	(325)	3,212
Motor vehicle excise taxes	6,168	(3,910)	2,258
Special assessments	3,198	-	3,198
Departmental and other	8,796	(2,648)	6,148
Intergovernmental	<u>66,907</u>	<u>-</u>	<u>66,907</u>
	<u>\$ 96,917</u>	<u>(10,007)</u>	<u>86,910</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

At June, 30, 2013, receivables for the enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services	\$ 12,155	-	12,155
Utility liens	1,998	-	1,998
Special assessments	346	-	346
	<u>\$ 14,499</u>	<u>-</u>	<u>14,499</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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Receivable Type:</u>			
Property taxes	\$ 3,105	-	3,105
Tax liens	3,186	-	3,186
Motor vehicle excise taxes	1,434	-	1,434
Special assessments	3,198	-	3,198
Departmental and other	1,589	981	2,570
Intergovernmental (school construction)	60,971	-	60,971
Intergovernmental (other state and federal)	1,752	-	1,752
	<u>\$ 75,235</u>	<u>981</u>	<u>76,216</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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 2013, \$15,203 of such assistance was received. Approximately \$76,388 will be received in future fiscal years. Of this amount, \$15,417 represents reimbursement of long-term interest costs and \$60,971 represents reimbursement of approved construction costs. Accordingly, a \$60,971 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.

(8) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 20,489	-	89	20,400
Construction in progress	76,369	50,326	6,333	120,362
Total capital assets not being depreciated	<u>96,858</u>	<u>50,326</u>	<u>6,422</u>	<u>140,762</u>
Capital assets, being depreciated:				
Buildings	569,176	4,370	116	573,430
Improvements other than buildings	35,543	1,993	-	37,536
Rolling equipment	28,404	774	65	29,113
Equipment and other	15,964	539	-	16,503
Infrastructure	207,038	19,521	-	226,559
	<u>856,125</u>	<u>27,197</u>	<u>181</u>	<u>883,141</u>
Less accumulated depreciation for:				
Buildings	208,984	16,673	-	225,657
Improvements other than buildings	8,464	1,729	-	10,193
Rolling equipment	22,564	1,094	-	23,658
Equipment and other	13,466	611	-	14,077
Infrastructure	101,444	9,270	-	110,714
	<u>354,922</u>	<u>29,377</u>	<u>-</u>	<u>384,299</u>
Total capital assets being depreciated, net	<u>501,203</u>	<u>(2,180)</u>	<u>181</u>	<u>498,842</u>
Governmental capital assets, net	\$ <u>598,061</u>	<u>48,146</u>	<u>6,603</u>	<u>639,604</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

Governmental activities:	
General government	\$ 87
Public safety	1,476
Public works	11,083
Education	11,058
Health and human services	215
Culture and recreation	<u>5,458</u>
Total depreciation expense – governmental activities	<u>\$ 29,377</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	\$ 6,044	-	-	6,044
Construction in progress	913	1,041	480	1,474
Total capital assets, not being depreciated	<u>6,957</u>	<u>1,041</u>	<u>480</u>	<u>7,518</u>
Capital assets, being depreciated:				
Buildings	41,068	572	-	41,640
Rolling equipment	2,484	-	-	2,484
Infrastructure	144,892	3,362	-	148,254
Equipment and other	403	-	-	403
Total capital assets, being depreciated	<u>188,847</u>	<u>3,934</u>	<u>-</u>	<u>192,781</u>
Less accumulated depreciation for:				
Buildings	17,503	1,118	-	18,621
Rolling equipment	1,804	138	-	1,942
Infrastructure	58,298	4,835	-	63,133
Equipment and other	140	35	-	175
Total accumulated depreciation	<u>77,745</u>	<u>6,126</u>	<u>-</u>	<u>83,871</u>
Total capital assets, being depreciated, net	<u>111,102</u>	<u>(2,192)</u>	<u>-</u>	<u>108,910</u>
Water capital assets, net	<u>118,059</u>	<u>(1,151)</u>	480	<u>116,428</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Sewer:				
Capital assets, not being depreciated				
Land	\$ 117	-	-	117
Construction in progress	<u>6,170</u>	<u>1,085</u>	<u>1,933</u>	<u>5,322</u>
Total capital assets, not being depreciated	<u>6,287</u>	<u>1,085</u>	<u>1,933</u>	<u>5,439</u>
Capital assets, being depreciated:				
Buildings	4,303	645	-	4,948
Rolling equipment	5,766	652	5	6,413
Infrastructure	165,257	7,908	-	173,165
Equipment and other	<u>516</u>	<u>-</u>	<u>-</u>	<u>516</u>
Total capital assets, being depreciated	<u>175,842</u>	<u>9,205</u>	<u>5</u>	<u>185,042</u>
Less accumulated depreciation for:				
Buildings	1,689	177	-	1,866
Rolling equipment	3,272	456	-	3,728
Infrastructure	75,570	5,543	-	81,113
Equipment and other	<u>194</u>	<u>49</u>	<u>-</u>	<u>243</u>
Total accumulated depreciation	<u>80,725</u>	<u>6,225</u>	<u>-</u>	<u>86,950</u>
Total capital assets, being depreciated, net	<u>95,117</u>	<u>2,980</u>	<u>5</u>	<u>98,092</u>
Sewer capital assets, net	<u>101,404</u>	<u>4,065</u>	<u>1,938</u>	<u>103,531</u>
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>1,710</u>
Total capital assets, being depreciated	<u>2,676</u>	<u>-</u>	<u>-</u>	<u>2,676</u>
Less accumulated depreciation for:				
Buildings	232	43	-	275
Infrastructure	645	94	-	739
Total accumulated depreciation	<u>877</u>	<u>137</u>	<u>-</u>	<u>1,014</u>
Total capital assets, being depreciated, net	<u>1,799</u>	<u>(137)</u>	<u>-</u>	<u>1,662</u>
Golf capital assets, net	<u>1,801</u>	<u>(136)</u>	<u>2</u>	<u>1,663</u>
Business-type activities capital assets, net	<u>\$ 221,264</u>	<u>2,778</u>	<u>2,420</u>	<u>221,622</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(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	33,310	4,803	37,909	204
Total capital assets, not being depreciated	<u>34,012</u>	<u>4,803</u>	<u>37,909</u>	<u>906</u>
Capital assets, being depreciated:				
Treatment facilities	213,771	35,330	-	249,101
Equipment and other	4,779	2,698	-	7,477
Total capital assets, being depreciated	<u>218,550</u>	<u>38,028</u>	<u>-</u>	<u>256,578</u>
Less accumulated depreciation for:				
Treatment facilities	56,786	8,425	-	65,211
Equipment and other	3,624	285	-	3,909
Total accumulated depreciation	<u>60,410</u>	<u>8,710</u>	<u>-</u>	<u>69,120</u>
Total capital assets, being depreciated, net	<u>158,140</u>	<u>29,318</u>	<u>-</u>	<u>187,458</u>
The District's capital assets, net	\$ <u>192,152</u>	<u>34,121</u>	<u>37,909</u>	<u>188,364</u>
Discretely presented component				
units - WRA:				
Capital assets, not being depreciated				
Land	\$ 1,270	-	-	1,270
Construction in progress	92	68	-	160
Total capital assets, not being depreciated	<u>1,362</u>	<u>68</u>	<u>-</u>	<u>1,430</u>
Capital assets, being depreciated:				
Buildings	40,197	-	-	40,197
Equipment and other	176	-	-	176
Total capital assets, being depreciated	<u>40,373</u>	<u>-</u>	<u>-</u>	<u>40,373</u>
Less accumulated depreciation for:				
Buildings	10,879	1,031	-	11,910
Equipment and other	108	5	-	113
Total accumulated depreciation	<u>10,987</u>	<u>1,036</u>	<u>-</u>	<u>12,023</u>
Total capital assets, being depreciated, net	<u>29,386</u>	<u>(1,036)</u>	<u>-</u>	<u>28,350</u>
WRA capital assets, net	\$ <u>30,748</u>	<u>(968)</u>	<u>-</u>	<u>29,780</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2013. The projects include land improvements, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent through June 30, 2013</u>	<u>Remaining commitment</u>
Infrastructure improvements	\$ 54,297	20,467
Building improvements	31,898	16,288
Land improvements	3,984	1,952
Total	<u>\$ 90,179</u>	<u>38,707</u>

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

(9) Net Investment in Capital Assets

Net investment in capital assets at June 30, 2013 is summarized as follows:

Governmental Activities

Capital assets	\$ 1,023,903
Less accumulated depreciation	(384,299)
Less outstanding long-term debt	(471,039)
Less outstanding temporary debt	(55,018)
Add outstanding debt that is not capital related	173,993
Add unspent proceeds of capital related debt	<u>22,759</u>
Net investment in capital assets	<u>\$ 310,299</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 200,299	190,481	2,677	393,457
Less accumulated depreciation	(83,871)	(86,950)	(1,014)	(171,835)
Less outstanding long-term debt	(67,598)	(67,851)	(1,695)	(137,144)
Less outstanding temporary debt	(4,755)	(10,140)	(100)	(14,995)
Add unspent proceeds of capital related debt	<u>5,464</u>	<u>11,022</u>	<u>154</u>	<u>16,640</u>
Net investment in capital assets	\$ <u>49,539</u>	<u>36,562</u>	<u>22</u>	<u>86,123</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 \$160 for the year ended June 30, 2013.

Future minimum lease payments for these leases are as follows:

Year ending June 30:	<u>Amount</u>
2014	\$ 168
2015	168
2016	168
2017	168
2018	<u>168</u>
Total	\$ <u>840</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(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 position.

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-7.00%)	\$ 140,948	49,360	19,813	170,495	19,289
Outside debt limit	(2.00%-7.00%)	314,591	1,805	20,135	296,261	18,514
Notes payable – Section 108	(4.00%-5.50%)	4,396	-	113	4,283	119
Judgments and claims		11,098	4,030	3,479	11,649	1,765
Compensated absences		13,191	9,102	8,951	13,342	9,257
Landfill closure and postclosure care costs		4,829	-	59	4,770	-
Other post employment benefits		174,377	39,719	19,707	194,389	-
Deferred amounts on bond premium		3,308	3,789	1,331	5,766	1,039
		<u>\$ 666,738</u>	<u>107,805</u>	<u>73,588</u>	<u>700,955</u>	<u>49,983</u>

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

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

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-7.00%)	\$ 8,798	2,734	1,578	9,954	1,448
Outside debt limit	(2.00%-7.00%)	115,003	24,694	14,152	125,545	11,769
MWPAT note payable	(2.00%-5.50%)	1,693	-	48	1,645	89
Judgments and claims		1,424	1,465	184	2,705	384
Compensated absences		730	548	569	709	560
Other post employment benefits		4,502	1,247	673	5,076	-
Deferred amounts on bond premium		49	-	5	44	5
		<u>\$ 132,199</u>	<u>30,688</u>	<u>17,209</u>	<u>145,678</u>	<u>14,255</u>

On November 1, 2012 the City issued \$72,133 of general obligation bonds. The proceeds consisted of \$48,150 for governmental activities and \$23,983 for business-type activities. On May 29, 2013, the City issued \$6,460 of general obligation refunding bonds.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2013 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:						
2014	\$ 37,803	26,142	8,848	2,583	4,213	2,551
2015	43,034	20,730	8,779	1,816	2,372	2,372
2016	39,026	18,452	8,938	1,871	4,064	2,207
2017	37,302	16,156	6,293	2,078	3,769	2,051
2018	34,080	15,013	4,709	1,310	3,772	1,896
2019-2023	136,652	53,247	14,171	4,382	19,286	7,318
2024-2028	109,255	22,498	8,735	2,102	14,905	3,823
2029-2033	15,043	2,146	3,904	885	7,608	3,896
2034-2038	12,706	1,539	3,221	267	6,217	497
2039-2041	1,855	93	-	-	-	-
	<u>\$ 466,756</u>	<u>176,016</u>	<u>67,598</u>	<u>17,294</u>	<u>66,206</u>	<u>26,611</u>

	<u>Business-type activities</u>		<u>Business-type</u>	
	<u>Golf course (nonmajor)</u>		<u>activities totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2014	\$ 156	62	13,217	5,196
2015	158	56	11,309	4,244
2016	161	50	13,163	4,128
2017	164	44	10,226	4,173
2018	168	38	8,649	3,244
2019-2023	552	111	34,009	11,811
2024-2028	287	36	23,927	5,961
2029-2033	32	6	11,544	4,787
2034-2038	17	1	9,455	765
	<u>\$ 1,695</u>	<u>404</u>	<u>135,499</u>	<u>44,309</u>

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$4,283. The City also has loan agreements with the MWPAT to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of \$1,645.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2013 are as follows:

Year ending June 30:	<u>Governmental activities</u>	
	<u>General fund</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 119	309
2015	126	237
2016	131	114
2017	138	223
2018	145	215
2019-2023	2,285	473
2024-2028	1,339	113
	<u>\$ 4,283</u>	<u>1,684</u>

Year ending June 30:	<u>Business-type activities</u>					
	<u>Sewer</u>					
	<u>Principal</u>	<u>Interest</u>	<u>Anticipated subsidy</u>		<u>Business-type activities totals (net)</u>	
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 89	51	-	15	89	36
2015	95	47	-	14	95	33
2016	96	44	-	13	96	31
2017	97	40	-	13	97	27
2018	102	35	-	12	102	23
2019-2023	558	116	7	40	551	76
2024-2028	326	41	5	-	321	41
2029-2033	282	14	-	-	282	14
	<u>\$ 1,645</u>	<u>388</u>	<u>12</u>	<u>107</u>	<u>1,633</u>	<u>281</u>

(c) Authorized and Unissued Debt

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Authorized and unissued debt at June 30, 2013 is as follows:

Inside debt limit:

Building rehabilitation	\$ 48,339
School construction	48,120
Street construction	20,735
Union Station Garage	17,385
Departmental equipment	8,609
Parks improvements	3,633
Blackstone Valley Visitors' Center	2,910
Major Taylor Garage Walkway	1,850
Water building rehabilitation	1,575
Sewer building rehabilitation	1,075
Dam improvements	775
Sewer equipment	705
Off street parking	630
Land acquisition	525
Sewer construction	492
Urban Systems Gateway	465
Vocational School construction	410
South Worcester Industrial Park	350
Traffic signals	350
Major Taylor Garage	270
Building demolition	268
Greenhill Golf Course access road	255
Bridge construction	200
Worcester Common rehabilitation	155
Landfill monitoring	50
Parking meters	25
Total inside debt limit	<u>160,156</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Outside debt limit:

CitySquare	\$ 70,950
Sewer construction	22,872
DCU building rehabilitation	14,735
Water mains	3,925
Reservoir rehabilitation	3,860
Water filtration	2,785
Surface drain construction	1,485
Solar filtration	1,434
Greenhill Golf Course improvements	670
December, 2008 ice storm clean-up	575
Water equipment	385
Watershed land	300
Water hydrants	200
Total outside debt limit	<u>124,176</u>
Total inside and outside debt limit	<u>\$ 284,332</u>

At June 30, 2013, in addition to debt authorized but unissued, the City may issue \$268,077 of additional general obligation debt under the normal debt limit. The City had \$421,806 of outstanding debt exempt from the debt limit.

(d) Advance Refunding's

The principal amount of debt refunded through prior year in-substance defeasance transactions and still outstanding at June 30, 2013 was \$98,605.

(e) Current Refunding – May 29, 2013

On May 29, 2013, the City issued \$6,460 in current refunding bonds, along with a \$685 premium, to refund \$7,145 of previously issued and outstanding bonds with an average interest rate of approximately 3.69%. The average interest rate of the current refunding bonds is approximately 3.80%.

The net proceeds from the current refunding were used to retire the outstanding bonds and the related accrued interest. The reacquisition price equaled the net carrying amount of the old debt. As a result of this refunding, the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$715 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$625.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(f) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2013:

1997 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	\$ 3,532
1999 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.	450
2001 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.	240
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.	6,695
2004 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034.	38,310
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.	5,212
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.	22,336
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%.	5,460
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.	10,571
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.	6,560
2009 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 2.42% with a final payment due July 15, 2038.	20,902
2011 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 2.40% with a final payment due May 1, 2040.	20,810
2011 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 2.40% with a final payment due May 1, 2040.	6,937
2012 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 2.00% with a final payment due July 15, 2032.	20,929
2012 General Obligation Bonds payable in varying principal amounts at an average coupon rate of 3.666% with a final payment due April 15, 2032.	3,830
Unamortized bond premiums and deferred refunding losses	1,083
OPEB	2,060
Accrued sick leave	421
Total long-term obligations	<u>176,338</u>
Less portion due within one year	<u>(7,178)</u>
Amount due in more than one year	<u>\$ 169,160</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

Year ending June 30:	Gross payments			Anticipated subsidy	Net payments
	Principal	Interest	Total		
2014	\$ 7,099	5,383	12,482	1,164	11,318
2015	7,327	5,129	12,456	1,124	11,332
2016	7,564	4,863	12,427	1,082	11,345
2017	7,797	4,577	12,374	1,037	11,337
2018	7,090	4,295	11,385	695	10,690
2019-2023	35,831	17,865	53,696	3,074	50,622
2024-2028	34,821	12,021	46,842	2,524	44,318
2029-2033	36,563	6,090	42,653	1,911	40,742
2034-2038	23,673	1,729	25,402	671	24,731
2039-2041	5,009	156	5,165	-	5,165
	<u>\$ 172,774</u>	<u>62,108</u>	<u>234,882</u>	<u>13,282</u>	<u>221,600</u>

(g) Discretely Presented Component Units – WRA

On March 24, 1997, the WRA and City entered into a Cooperation Agreement (Agreement) concerning funding initiatives of the WRA. On December 14, 2000, the WRA voted to authorize the execution of any legal document in any effort to secure the repayment to the City of any funds the City may provide to finance the WRA's initiatives. Pursuant to the Agreement and the vote of the WRA on December 14, 2000, the WRA and City have executed several amendments to the Agreement whereby the City has agreed to loan the WRA various amounts at varying interest rates (ranging from 3.2% to 4.9%) and maturity dates.

Details related to notes payable to the City at June 30, 2013, are as follows:

Project	Outstanding			Outstanding at June 30, 2013
	at June 30, 2012	Issued	Redeemed	
Union Station - Building Fit Out	\$ 3,068	61	-	3,129
Union Station - Operating	3,484	415	-	3,899
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Total	<u>\$ 7,115</u>	<u>476</u>	<u>-</u>	<u>7,591</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Debt service requirements in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,427	1,399	7,826
2015	1,164	221	1,385
Total	\$ <u>7,591</u>	<u>1,620</u>	<u>9,211</u>

(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/expenses on temporary borrowings for the year ended June 30, 2013 in the general fund, debt service fund, nonmajor governmental funds and enterprise funds were \$720.

At June 30, 2013, the following 0.50% to 3.25% BANs (maturing through November 8, 2013) were outstanding:

	<u>Outstanding as of June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding as of June 30, 2013</u>
Bond anticipation notes payable:				
School	\$ 8,430	-	8,430	-
General	39,700	55,018	39,700	55,018
Water	10,023	4,755	10,023	4,755
Sewer	14,135	10,140	14,135	10,140
Golf course (nonmajor)	25	100	25	100
Total	\$ <u>72,313</u>	<u>70,013</u>	<u>72,313</u>	<u>70,013</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(13) Interfund Transfers

Transfers and their purposes during the year ended June 30, 2013 were as follows:

	Governmental Funds				Proprietary Funds		
	General Fund	Debt Service Fund	Rehabilitation of Public Buildings	Other Gov'tal Funds	Water Fund	Sewer Fund	Golf Fund (Nonmajor)
Original budget							
General fund - to fund debt payments	\$ (14,136)	14,136	-	-	-	-	-
Chapter 90 - to fund public works administration	416	-	-	(416)	-	-	-
General fund - tax levy subsidy of golf fund	(150)	-	-	-	-	-	150
Construction permits - to fund DPW admin.	145	-	-	(145)	-	-	-
Sewer connection fees - to fund DPW admin.	118	-	-	(118)	-	-	-
Parking - to fund parking operations	453	-	-	(453)	-	-	-
Cemetery reserve - to fund parks and cemetery	39	-	-	(39)	-	-	-
Golf fund - to fund pension obligation bonds	20	-	-	-	-	-	(20)
Sewer fund - to fund pension obligation bonds	565	-	-	-	-	(565)	-
Water fund - to fund pension obligation bonds	752	-	-	-	(752)	-	-
Sub-total	(11,778)	14,136	-	(1,171)	(752)	(565)	130
Subsequent transfers:							
General fund - transfer to fund DCU Center obligations	(760)	-	-	760	-	-	-
PILLOT Donation - to fund library salaries	133	-	-	(133)	-	-	-
General fund - repay neighborhood stabilization grants	(1,948)	-	-	1,948	-	-	-
General fund - transfer to fund police salaries	(69)	-	-	69	-	-	-
General fund - transfer to fund fire salaries	(20)	-	-	20	-	-	-
General fund - transfer to fund SETB 911 training grant	(18)	-	-	18	-	-	-
Debt service fund - to promote tourism	200	(200)	-	-	-	-	-
General fund - to fund golf operations	(94)	-	-	-	-	-	94
Insurance settlement fund - fire and police vehicles	67	-	-	(67)	-	-	-
Premium on loans - to fund bond issuance costs	507	-	-	(507)	-	-	-
Premium on loans - to fund principal debt payments	96	-	-	(96)	-	-	-
Real estate sales - to fund economic development	25	-	-	(25)	-	-	-
Real estate sales - to fund urban planning and design	14	-	-	(14)	-	-	-
Greenwood St landfill reserve - fund storage facility	-	-	300	(300)	-	-	-
Transfer from reserve PL 874 - fund school operations	204	-	-	(204)	-	-	-
Capital project - repay water for prior year funding	-	-	-	(173)	173	-	-
To transfer between capital project funds	-	-	(815)	815	-	-	-
To transfer between capital project funds	-	-	-	1,180	-	-	-
To transfer between capital project funds	-	-	-	(1,180)	-	-	-
Parking receipts - to fund off-street parking	-	-	-	3,100	-	-	-
Parking receipts - to fund off-street parking	-	-	-	(3,100)	-	-	-
Greenwood landfill to fund various	-	-	-	300	-	-	-
Greenwood landfill to fund various	-	-	-	(300)	-	-	-
Real estate sales - to fund artificial turf field project	-	-	-	150	-	-	-
Real estate sales - to fund artificial turf field project	-	-	-	(150)	-	-	-
HOME grant transfer	-	-	-	102	-	-	-
HOME grant transfer	-	-	-	(102)	-	-	-
Premium on loans - to repay HUD grants	-	-	-	450	-	-	-
Premium on loans - to repay HUD grants	-	-	-	(450)	-	-	-
Damage settlements - to fund various	-	-	-	12	-	-	-
Damage settlements - to fund various	-	-	-	(12)	-	-	-
CDBG funds - to fund lead block grant	-	-	-	2	-	-	-
CDBG funds - to fund lead block grant	-	-	-	(2)	-	-	-
City Fund - police auxiliary to fund fire	-	-	-	1	-	-	-
City Fund - police auxiliary to fund fire	-	-	-	(1)	-	-	-
Total transfers, net	\$ (13,441)	13,936	(515)	940	(579)	(565)	224

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(14) Environmental Remediation – The District

Plant Improvements

Construction as part of a Plant Improvement Program was conducted at the District from 2004 through 2012. Most of the Facility's mechanical systems and processes have either been updated or replaced with modern systems during this period.

The District financed the above through long-term borrowing, primarily through the Massachusetts Water Pollution Abatement Trust and federal grants. As of June 30, 2013, the District has spent and capitalized approximately \$191,000 including capitalized interest of \$9,327.

On October 10, 2012, the United States Court of Appeals for the First Circuit denied the District's petition to stay the mandate pending a petition for certiorari review by the Supreme Court of the United States. On December 14, 2012, the District filed its petition for a writ of certiorari with the Supreme Court of the United States. On May 13, 2013, the Supreme Court of the United States issued an order denying the District's petition for certiorari review, thereby bringing closure to any further appeal of the 2008 National Pollutant Discharge Elimination System (NPDES) permit. On August 7, 2013, the District received from the U.S. Environmental Protection Agency (USEPA) a letter and proposed findings of Violation and Administrative Order on Consent (AOC) which includes a proposed order for taking certain actions. On August 18, 2013, the District asked USEPA for an opportunity to discuss the AOC. Full compliance with the terms of this permit has been previously estimated at \$200,000 for additional improvements. Ongoing engineering studies are underway to refine the cost estimates for the mandated improvements.

Blackstone River Modeling Study

Since 2004, the District has sponsored a modeling study of the Blackstone River to better understand the impact of water quality management decisions on the River. The final peer reviewed model is publicly available for interested parties, including regulators, to use as a tool for future River evaluations. The District continues to sponsor an Annual River Sampling Program to track River water quality, study the impacts of the wastewater treatment plant on the River and provide a database for future additional modeling or scenario evaluation.

The cost of the initial study was \$2,569 and was financed through long-term borrowing.

Solar Photovoltaic System:

Construction of a new 337kw ground-mounted solar photovoltaic system was completed in the fall of 2012. The system began generating power for the District in August 2012. The project cost of \$3,025 was funded entirely from a federal grant through the ARRA program.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(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.

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

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Fallon, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon Senior plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$225 for each participating member of the self-insured health plans. 25% of employee contributions are made. The remainder of such costs is funded by the City. The City provides \$5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

Changes in the self-insurance liability for health claims for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Health claims, beginning of year	\$ 6,424	6,729
Incurred claims	77,255	75,839
Payments of claims attributable to events of the current and prior fiscal years	<u>(76,705)</u>	<u>(76,144)</u>
Health claims, end of year	<u>\$ 6,974</u>	<u>6,424</u>

Changes in judgments and claims liability for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Judgments and claims, beginning of year	\$ 12,522	12,362
Additions to estimated claims liability	5,495	1,367
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(334)	(257)
Workers' compensation	<u>(3,329)</u>	<u>(950)</u>
Judgments and claims, end of year	<u>\$ 14,354</u>	<u>12,522</u>

Judgments and claims consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Workers' compensation	\$ 10,998	11,067
Court judgments and legal settlements	<u>3,356</u>	<u>1,455</u>
	<u>\$ 14,354</u>	<u>12,522</u>

The fiscal 2013 liability for judgments and claims consist of governmental and business-type activities in the amount of \$11,649 and \$2,705 respectively.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

(16) Fund Balances

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

	<u>General</u>	<u>CitySquare</u>	<u>Debt Service</u>	<u>School Grants</u>	<u>Rehabilitation of Public Buildings</u>	<u>Other governmental funds</u>	<u>Total Governmental Funds</u>
Nonspendable:							
Permanent fund principal.....	\$ -	-	-	-	-	15,579	15,579
Restricted:							
OPEB.....	2,652	-	-	-	-	-	2,652
School grants.....	-	-	-	6,869	-	-	6,869
City grants.....	-	-	-	-	-	11,430	11,430
School lunch.....	-	-	-	-	-	1,375	1,375
Off-street parking.....	-	-	-	-	-	199	199
City revolving funds.....	-	-	-	-	-	2,072	2,072
School revolving funds.....	-	-	-	-	-	2,005	2,005
Community development.....	-	-	-	-	-	76	76
Workforce Central.....	-	-	-	-	-	1,208	1,208
Capital.....	-	-	-	-	-	6,884	6,884
Permanent fund expendable.....	-	-	-	-	-	110	110
Sub-total - Restricted.....	<u>2,652</u>	<u>-</u>	<u>-</u>	<u>6,869</u>	<u>-</u>	<u>25,359</u>	<u>34,880</u>
Committed:							
Debt service.....	-	-	16,917	-	-	-	16,917
Receipts reserved.....	-	-	-	-	-	18,979	18,979
Sub-total - Committed.....	<u>-</u>	<u>-</u>	<u>16,917</u>	<u>-</u>	<u>-</u>	<u>18,979</u>	<u>35,896</u>
Unassigned.....	27,869	(1,397)	-	-	(19,384)	(17,710)	(10,622)
Total fund balances.....	\$ <u>30,521</u>	<u>(1,397)</u>	<u>16,917</u>	<u>6,869</u>	<u>(19,384)</u>	<u>42,207</u>	<u>75,733</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

(17) Fund Deficits

The following funds had deficits at June 30, 2013:

CitySquare Fund	\$ 1,397	<u>Capital Projects Funds:</u>	
Rehabilitation of Public Buildings Fund	19,384	DCU Center Construction	\$ 6,143
		Street and Sidewalk	9,408
<u>Special Revenue Funds:</u>		Capital Equipment	1,760
DCU Center	399		

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

(18) Prior Period Reclassifications

The beginning fund balances of the rehabilitation of public buildings and nonmajor governmental funds have been restated from zero and \$16,118, respectively, to (\$19,513) and \$35,631, respectively, to reflect the reclassification of the rehabilitation of public buildings fund from a nonmajor governmental fund to a major fund.

(19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require expanded note disclosures and required supplementary information.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2013

(In thousands of dollars)

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

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2013
 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	\$ 235,184,029	236,671,942	233,738,612	(2,933,330)
Motor vehicle excise taxes	11,500,000	11,500,000	12,689,898	1,189,898
Penalties and interest on taxes:				
Property taxes	1,070,700	1,070,700	1,184,704	114,004
Tax titles	275,300	275,300	193,467	(81,833)
Motor vehicle excise	967,000	967,000	1,029,400	62,400
Special assessments	20,000	20,000	124,454	104,454
	<u>2,333,000</u>	<u>2,333,000</u>	<u>2,532,025</u>	<u>199,025</u>
Other taxes and in-lieu payments:				
In lieu of taxes	750,000	750,000	951,722	201,722
Special assessments	370,000	370,000	440,360	70,360
Meals tax	2,110,000	2,110,000	2,304,570	194,570
Hotel/motel tax	730,000	730,000	716,214	(13,786)
	<u>3,960,000</u>	<u>3,960,000</u>	<u>4,412,866</u>	<u>452,866</u>
Licenses and permits:				
Clerk	131,400	131,400	184,603	53,203
Code Inspection	2,637,340	2,637,340	2,651,582	14,242
Fire	221,275	221,275	204,231	(17,044)
Health	643,630	643,630	611,412	(32,218)
License Commission:				
Liquor licenses	778,610	778,610	834,643	56,033
Other	45,950	45,950	62,204	16,254
Police	80,095	80,095	100,181	20,086
Public Works	251,700	251,700	342,820	91,120
	<u>4,790,000</u>	<u>4,790,000</u>	<u>4,991,676</u>	<u>201,676</u>
Intergovernmental:				
State local aid	254,325,475	252,907,090	253,342,759	435,669
State school construction aid	15,203,374	15,203,374	15,203,374	-
State school busing assistance	-	-	478,880	478,880
School related Federal Medicare	1,900,000	2,901,182	2,884,776	(16,406)
Federal indirect cost reimbursements	1,800,000	1,800,000	1,647,672	(152,328)
	<u>273,228,849</u>	<u>272,811,646</u>	<u>273,557,461</u>	<u>745,815</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2013
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fines and forfeitures:				
Parking fines	\$ 1,909,000	1,909,000	1,712,288	(196,712)
Court fines	991,000	991,000	881,891	(109,109)
	<u>2,900,000</u>	<u>2,900,000</u>	<u>2,594,179</u>	<u>(305,821)</u>
Investment earnings	300,000	300,000	316,090	16,090
Charges for services:				
Airport land lease	-	-	108,333	108,333
Assessor	5,000	5,000	6,200	1,200
Auditor	-	-	45	45
Auditorium	200,000	200,000	-	(200,000)
Clerk	530,000	530,000	565,336	35,336
Cable TV	20,000	20,000	22,443	2,443
Communications	350	350	697	347
Elder Affairs	40,000	40,000	45,187	5,187
Fire	198,800	198,800	281,096	82,296
Health	19,970	19,970	22,317	2,347
Hope Cemetery	250,000	250,000	269,362	19,362
Library	55,000	55,000	35,841	(19,159)
Messenger	5,500	5,500	709	(4,791)
Parks	65,000	65,000	56,403	(8,597)
Planning	70,380	70,380	107,627	37,247
Police	526,500	526,500	705,753	179,253
Public Works	7,500	7,500	729	(6,771)
Purchasing	275,000	275,000	278,545	3,545
Schools	-	-	15,305	15,305
Trailer coach park	4,000	4,000	4,296	296
Trash bags	3,200,000	3,200,000	3,208,329	8,329
Treasurer	15,000	15,000	11,130	(3,870)
	<u>5,488,000</u>	<u>5,488,000</u>	<u>5,745,683</u>	<u>257,683</u>
Miscellaneous	654,500	654,500	1,112,215	457,715
Total revenues	<u>540,338,378</u>	<u>541,409,088</u>	<u>541,690,705</u>	<u>281,617</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

General Fund

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

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Council:				
Salaries	\$ 324,000	324,000	324,000	-
Ordinary maintenance	26,867	26,867	26,523	344
	<u>350,867</u>	<u>350,867</u>	<u>350,523</u>	<u>344</u>
Mayor:				
Salaries	104,036	104,036	104,036	-
Ordinary maintenance	5,777	6,829	6,823	6
	<u>109,813</u>	<u>110,865</u>	<u>110,859</u>	<u>6</u>
Manager:				
Salaries:				
Executive office	876,098	796,098	773,775	22,323
Planning & Development	1,028,906	1,248,906	1,145,563	103,343
Ordinary maintenance:				
Executive office	1,459,280	1,810,001	1,810,001	-
Planning & Development	104,590	144,190	129,125	15,065
Tourism promotion	-	350,000	350,000	-
	<u>3,468,874</u>	<u>4,349,195</u>	<u>4,208,464</u>	<u>140,731</u>
Auditor:				
Salaries	496,725	557,163	512,321	44,842
Ordinary maintenance	157,559	141,019	85,612	55,407
Capital	-	6,540	5,440	1,100
	<u>654,284</u>	<u>704,722</u>	<u>603,373</u>	<u>101,349</u>
Administration & Finance:				
Salaries	420,107	427,779	422,720	5,059
Ordinary maintenance	90,664	90,664	41,962	48,702
	<u>510,771</u>	<u>518,443</u>	<u>464,682</u>	<u>53,761</u>
Treasurer and Collector:				
Salaries	996,577	1,121,577	1,116,347	5,230
Ordinary maintenance	691,676	1,195,234	1,176,729	18,505
Capital	-	3,580	3,580	-
	<u>1,688,253</u>	<u>2,320,391</u>	<u>2,296,656</u>	<u>23,735</u>
Assessor:				
Salaries	529,051	531,551	529,770	1,781
Ordinary maintenance	333,929	333,929	322,667	11,262
	<u>862,980</u>	<u>865,480</u>	<u>852,437</u>	<u>13,043</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2013
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
License Commission:				
Ordinary maintenance	\$ 1,200	1,200	1,011	189
Law:				
Salaries	704,404	734,404	733,810	594
Ordinary maintenance	137,842	223,308	223,308	-
Casualty insurance	119,948	119,948	97,521	22,427
Court judgments	378,100	312,100	309,056	3,044
	<u>1,340,294</u>	<u>1,389,760</u>	<u>1,363,695</u>	<u>26,065</u>
Clerk:				
Salaries	537,455	552,351	549,926	2,425
Ordinary maintenance	36,024	36,024	34,690	1,334
	<u>573,479</u>	<u>588,375</u>	<u>584,616</u>	<u>3,759</u>
Messenger:				
Ordinary maintenance	339,400	339,400	291,967	47,433
Election Commission:				
Salaries	322,915	511,641	368,358	143,283
Ordinary maintenance	110,885	143,885	140,540	3,345
	<u>433,800</u>	<u>655,526</u>	<u>508,898</u>	<u>146,628</u>
Purchasing:				
Salaries	188,452	191,452	189,694	1,758
Ordinary maintenance	14,595	14,595	9,779	4,816
	<u>203,047</u>	<u>206,047</u>	<u>199,473</u>	<u>6,574</u>
Technical services:				
Salaries	1,611,194	1,634,770	1,634,402	368
Ordinary maintenance	1,156,978	1,156,978	1,148,501	8,477
	<u>2,768,172</u>	<u>2,791,748</u>	<u>2,782,903</u>	<u>8,845</u>
Human Resources:				
Salaries	842,104	746,704	697,920	48,784
Ordinary maintenance	237,701	253,101	252,402	699
	<u>1,079,805</u>	<u>999,805</u>	<u>950,322</u>	<u>49,483</u>
Total general government	<u>14,385,039</u>	<u>16,191,824</u>	<u>15,569,879</u>	<u>621,945</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

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	\$ 39,687,743	40,347,743	40,091,207	256,536
Ordinary maintenance	2,066,970	2,116,970	2,113,302	3,668
Capital	65,000	65,000	37,996	27,004
	<u>41,819,713</u>	<u>42,529,713</u>	<u>42,242,505</u>	<u>287,208</u>
Fire:				
Salaries	32,921,331	32,298,025	31,860,867	437,158
Ordinary maintenance	994,541	1,038,528	1,037,757	771
Capital	25,000	41,877	40,555	1,322
	<u>33,940,872</u>	<u>33,378,430</u>	<u>32,939,179</u>	<u>439,251</u>
Inspectional services:				
Salaries	2,685,410	2,990,410	2,931,206	59,204
Ordinary maintenance	288,868	348,868	347,329	1,539
	<u>2,974,278</u>	<u>3,339,278</u>	<u>3,278,535</u>	<u>60,743</u>
Communications:				
Salaries	1,793,784	1,668,784	1,628,584	40,200
Ordinary maintenance	331,068	299,074	291,632	7,442
Capital	-	31,994	31,994	-
	<u>2,124,852</u>	<u>1,999,852</u>	<u>1,952,210</u>	<u>47,642</u>
Total public safety	<u>80,859,715</u>	<u>81,247,273</u>	<u>80,412,429</u>	<u>834,844</u>
Health and human services:				
Health:				
Salaries	294,132	334,132	303,213	30,919
Ordinary maintenance	40,000	40,000	28,560	11,440
	<u>334,132</u>	<u>374,132</u>	<u>331,773</u>	<u>42,359</u>
Elder Affairs:				
Salaries	315,406	312,283	311,091	1,192
Ordinary maintenance	271,063	274,186	270,735	3,451
	<u>586,469</u>	<u>586,469</u>	<u>581,826</u>	<u>4,643</u>
Workforce Central:				
Salaries	-	12,500	12,500	-
Total health and human services	<u>920,601</u>	<u>973,101</u>	<u>926,099</u>	<u>47,002</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

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	\$ 187,419,628	187,133,989	187,133,989	-
Ordinary maintenance	46,277,061	47,827,572	47,827,572	-
Capital	250,000	143,948	143,948	-
Total education	233,946,689	235,105,509	235,105,509	-
Public works:				
Department of Public Works:				
Salaries	5,394,484	5,019,484	5,005,894	13,590
Ordinary maintenance	6,740,216	6,705,216	6,635,094	70,122
Snow and ice removal	3,472,571	4,590,477	4,590,477	-
Street lighting	2,357,828	2,357,828	2,349,151	8,677
	17,965,099	18,673,005	18,580,616	92,389
Union Station:				
Ordinary maintenance	552,720	417,720	414,540	3,180
Total public works	18,517,819	19,090,725	18,995,156	95,569
Culture and recreation:				
Parks and Cemetery:				
Salaries	2,876,133	2,896,133	2,800,781	95,352
Ordinary maintenance	930,691	1,047,691	1,047,227	464
	3,806,824	3,943,824	3,848,008	95,816
Public Library:				
Salaries	2,992,971	3,236,173	3,127,366	108,807
Ordinary maintenance	1,371,632	1,386,261	1,386,234	27
	4,364,603	4,622,434	4,513,600	108,834
Auditorium:				
Ordinary maintenance	121,506	121,506	105,666	15,840
DCU Center:				
Ordinary maintenance	407,262	-	-	-
Debt service	352,840	-	-	-
	760,102	-	-	-
Total culture and recreation	9,053,035	8,687,764	8,467,274	220,490

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental:				
Health insurance - retirees	\$ 9,300	9,300	9,300	-
Regional planning	43,618	43,618	41,595	2,023
Regional Transit Authority	2,749,631	2,749,631	2,749,631	-
Air pollution control	39,904	39,904	39,904	-
Charter Schools	26,451,568	26,623,817	25,526,265	1,097,552
School choice	2,224,952	2,162,845	2,291,731	(128,886)
Special education - Chapter 766	147,952	147,952	132,274	15,678
Registry parking ticket surcharge	517,240	428,840	452,600	(23,760)
Total intergovernmental	32,184,165	32,205,907	31,243,300	962,607
Debt service:				
Principal	23,583,314	23,679,523	23,534,901	144,622
Interest	7,462,043	7,462,043	7,336,745	125,298
Pension obligation bond:				
Municipal departments:				
Principal	2,981,642	2,981,642	2,981,642	-
Interest	7,611,263	7,611,263	7,611,263	-
Enterprise funds (interest)	1,337,015	1,337,015	1,337,015	-
Public Schools (interest)	4,708,205	4,708,205	4,708,205	-
Total debt service	47,683,482	47,779,691	47,509,771	269,920
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	20,227,011	20,102,011	20,095,735	6,276
Public Schools	8,267,957	8,043,442	8,043,442	-
Noncontributory pensions:				
Municipal departments	150,867	150,867	139,881	10,986
Public Schools	200,000	137,547	137,547	-
	28,845,835	28,433,867	28,416,605	17,262

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2013

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	\$ 1,230,257	820,257	794,039	26,218
Public Schools	323,700	546,869	546,869	-
Public safety injured on duty	348,135	498,135	487,518	10,617
Unemployment compensation:				
Municipal departments	300,000	150,000	70,686	79,314
Public Schools	250,000	415,938	415,938	-
	<u>2,452,092</u>	<u>2,431,199</u>	<u>2,315,050</u>	<u>116,149</u>
Group insurance:				
Municipal departments	21,441,877	21,559,917	21,559,917	-
Public Schools	37,155,261	36,613,193	36,613,192	1
	<u>58,597,138</u>	<u>58,173,110</u>	<u>58,173,109</u>	<u>1</u>
Total fringe benefits	<u>89,895,065</u>	<u>89,038,176</u>	<u>88,904,764</u>	<u>133,412</u>
Contingency	<u>465,000</u>	<u>34,487</u>	<u>-</u>	<u>34,487</u>
Total expenditures	<u>527,910,610</u>	<u>530,354,457</u>	<u>527,134,181</u>	<u>3,220,276</u>
Excess of revenues over expenditures	<u>12,427,768</u>	<u>11,054,631</u>	<u>14,556,524</u>	<u>3,501,893</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,508,029	3,833,366	3,833,366	-
Transfers out	(14,285,797)	(19,924,054)	(19,924,054)	-
Premium on loans	300,000	2,400,000	2,696,546	296,546
Total other financing sources (uses)	<u>(11,477,768)</u>	<u>(13,690,688)</u>	<u>(13,394,142)</u>	<u>296,546</u>
Net changes in fund balance	<u>950,000</u>	<u>(2,636,057)</u>	<u>1,162,382</u>	<u>3,798,439</u>
Budgetary fund balance - beginning	<u>27,044,191</u>	<u>27,044,191</u>	<u>27,044,191</u>	<u>-</u>
Budgetary fund balance - ending	<u>\$ 27,994,191</u>	<u>24,408,134</u>	<u>28,206,573</u>	<u>3,798,439</u>

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2013

(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)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Projected Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2008	\$ 759,410	889,924	130,514	85.58	\$ 156,585	83.35
1/1/2009	631,894	929,569	297,675	67.98	166,050	179.27
1/1/2010	679,510	987,692	308,182	68.80	166,392	185.21
1/1/2011	724,998	1,025,076	300,078	70.73	157,721	190.26
1/1/2012	712,110	1,051,191	339,081	67.74	159,670	212.36
1/1/2013	706,951	1,117,439	410,488	63.27	166,095	247.14

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2007	\$ 24,166	100
2008	24,947	100
2009	28,505	100
2010	29,770	101
2011	32,706	100
2012	35,323	100

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2013

(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 June 30</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>City ARC as a Percentage of WRS ARC (%)</u>
2008	\$ 22,089	100	91.4
2009	22,742	100	91.2
2010	26,117	100	91.6
2011	27,277	101	91.6
2012	29,720	100	90.9
2013	32,246	100	91.3

OPEB Schedule

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

SCHEDULES OF FUNDING PROGRESS

<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>Projected 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%	\$ 320,372	358%
07/01/09	-	765,312	765,312	0.0%	302,802	253%
07/01/11	-	636,335	636,335	0.0%	313,753	203%

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

- The 07/01/09 valuation reflects the City’s adoption of Massachusetts General Laws Chapter 32B, Section 18, which shifted certain other postemployment benefits costs from the City to a Medicare extension program
- The 07/01/09 and 07/01/11 valuations reflect the City’s favorable claims experience during the periods between the valuations

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2013

(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 2013, the original general fund expenditure budget was increased by \$2,444.

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, 2013:

	<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	\$ 541,691	527,134	(13,394)	1,163
Reclassify OPEB reserve	-	-	2,650	2,650
MTRS on-behalf payments	57,639	57,639		-
COLA on-behalf payments	1,529	1,529		-
Adjustment of revenues to a modified basis	<u>(256)</u>	<u>-</u>	<u>-</u>	<u>(256)</u>
 As reported on a GAAP basis	 <u>\$ 600,603</u>	 <u>586,302</u>	 <u>(10,744)</u>	 <u>3,557</u>

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

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CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2013

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

Special Revenue

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

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

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.

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

Capital Projects

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2013

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

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 golf course (nonmajor), sewer and water enterprise funds. The "actual" results columns of the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison with the budgets. Actual amounts can vary from GAAP amounts.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	<u>Special Revenue Funds</u>				
	<u>DCU Center</u>	<u>School Lunch</u>	<u>Police Auxiliary</u>	<u>Off-Street Parking</u>	<u>City Revolving</u>
Assets:					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	210,837	1,438,418	158,851	319,318	2,085,065
Restricted investments	-	-	-	-	-
Receivables, net	-	-	887,911	-	52,052
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 210,837</u>	<u>1,438,418</u>	<u>1,046,762</u>	<u>319,318</u>	<u>2,137,117</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	63,918	158,851	120,611	13,442
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Deferred revenue	-	-	887,911	-	52,052
Other liabilities	610,410	-	-	-	-
Total liabilities	<u>610,410</u>	<u>63,918</u>	<u>1,046,762</u>	<u>120,611</u>	<u>65,494</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,374,500	-	198,707	2,071,623
Committed	-	-	-	-	-
Unassigned	(399,573)	-	-	-	-
Total fund balances	<u>(399,573)</u>	<u>1,374,500</u>	<u>-</u>	<u>198,707</u>	<u>2,071,623</u>
Total liabilities and fund balances	<u>\$ 210,837</u>	<u>1,438,418</u>	<u>1,046,762</u>	<u>319,318</u>	<u>2,137,117</u>

Special Revenue Funds

<u>School Revolving</u>	<u>Receipts Reserved</u>	<u>Community Development</u>	<u>Workforce Central</u>	<u>City Grants</u>	<u>Subtotal</u>
-	18,978,934	-	-	-	18,978,934
2,041,930	-	68,953	1,272,147	10,395,141	17,990,660
-	-	-	-	-	-
-	40,958	-	-	-	980,921
-	-	38,759	2,374	1,478,764	1,519,897
<u>2,041,930</u>	<u>19,019,892</u>	<u>107,712</u>	<u>1,274,521</u>	<u>11,873,905</u>	<u>39,470,412</u>
37,195	-	31,211	66,134	444,290	935,652
-	-	-	-	-	-
-	40,958	-	-	-	980,921
-	-	-	-	-	610,410
<u>37,195</u>	<u>40,958</u>	<u>31,211</u>	<u>66,134</u>	<u>444,290</u>	<u>2,526,983</u>
-	-	-	-	-	-
2,004,735	-	76,501	1,208,387	11,429,615	18,364,068
-	18,978,934	-	-	-	18,978,934
-	-	-	-	-	(399,573)
<u>2,004,735</u>	<u>18,978,934</u>	<u>76,501</u>	<u>1,208,387</u>	<u>11,429,615</u>	<u>36,943,429</u>
<u>2,041,930</u>	<u>19,019,892</u>	<u>107,712</u>	<u>1,274,521</u>	<u>11,873,905</u>	<u>39,470,412</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	<u>Capital Projects Funds</u>			
	<u>DCU Center Construction</u>	<u>Street and Sidewalk</u>	<u>Capital Equipment</u>	<u>School Construction</u>
Assets:				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash and cash equivalents	2,441,300	7,739,716	1,159,365	1,353,270
Restricted investments	-	-	-	-
Receivables, net	-	-	-	-
Due from other governments	-	103,573	-	-
Total assets	<u>\$ 2,441,300</u>	<u>7,843,289</u>	<u>1,159,365</u>	<u>1,353,270</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,959,385	804,094	109,211	29,283
Retainage payable	349,922	672,295	-	69,122
Temporary loans	4,275,000	15,775,000	2,810,000	-
Deferred revenue	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	<u>8,584,307</u>	<u>17,251,389</u>	<u>2,919,211</u>	<u>98,405</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	1,254,865
Committed	-	-	-	-
Unassigned	(6,143,007)	(9,408,100)	(1,759,846)	-
Total fund balances	<u>(6,143,007)</u>	<u>(9,408,100)</u>	<u>(1,759,846)</u>	<u>1,254,865</u>
Total liabilities and fund balances	<u>\$ 2,441,300</u>	<u>7,843,289</u>	<u>1,159,365</u>	<u>1,353,270</u>

Capital Projects Funds

Parks Improvements	Union Station Garage	Other	Subtotal
-	-	-	-
6,452,435	1,502,669	4,305,270	24,954,025
-	-	-	-
317,925	-	-	421,498
<u>6,770,360</u>	<u>1,502,669</u>	<u>4,305,270</u>	<u>25,375,523</u>
602,749	-	-	5,504,722
311,301	-	2,452	1,405,092
5,732,500	-	300,000	28,892,500
-	-	-	-
<u>6,646,550</u>	<u>-</u>	<u>302,452</u>	<u>35,802,314</u>
-	-	-	-
123,810	1,502,669	4,002,818	6,884,162
-	-	-	-
-	-	-	(17,310,953)
<u>123,810</u>	<u>1,502,669</u>	<u>4,002,818</u>	<u>(10,426,791)</u>
<u>6,770,360</u>	<u>1,502,669</u>	<u>4,305,270</u>	<u>25,375,523</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Permanent Funds				
	<u>Hope Cemetery</u>	<u>Health Department</u>	<u>Libraries</u>	<u>Schools</u>	<u>Parks</u>
Assets:					
Cash and cash equivalents	\$ -	-	-	-	-
Restricted cash and cash equivalents	143,391	108,822	108,696	51,231	20,229
Restricted investments	3,097,536	2,240,653	7,965,543	630,881	405,501
Receivables, net	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 3,240,927</u>	<u>2,349,475</u>	<u>8,074,239</u>	<u>682,112</u>	<u>425,730</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	-	13,214	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>13,214</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	3,240,927	2,332,237	8,021,905	656,666	421,802
Restricted	-	17,238	39,120	25,446	3,928
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>3,240,927</u>	<u>2,349,475</u>	<u>8,061,025</u>	<u>682,112</u>	<u>425,730</u>
Total liabilities and fund balances	<u>\$ 3,240,927</u>	<u>2,349,475</u>	<u>8,074,239</u>	<u>682,112</u>	<u>425,730</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
-	-	-	-	-	18,978,934
348	22,582	35,322	2,193	492,814	43,437,499
8,518	334,905	521,682	4,718	15,209,937	15,209,937
-	-	-	-	-	980,921
-	-	-	-	-	1,941,395
8,866	357,487	557,004	6,911	15,702,751	80,548,686
-	-	-	-	13,214	6,453,588
-	-	-	-	-	1,405,092
-	-	-	-	-	28,892,500
-	-	-	-	-	980,921
-	-	-	-	-	610,410
-	-	-	-	13,214	38,342,511
8,866	348,599	543,014	4,911	15,578,927	15,578,927
-	8,888	13,990	2,000	110,610	25,358,840
-	-	-	-	-	18,978,934
-	-	-	-	-	(17,710,526)
8,866	357,487	557,004	6,911	15,689,537	42,206,175
8,866	357,487	557,004	6,911	15,702,751	80,548,686

(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, 2013

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ -	9,537,295	-	-	-
Investment earnings	-	-	-	-	-
Charges for services	1,474,178	503,295	7,907,777	-	1,115,191
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,474,178</u>	<u>10,040,590</u>	<u>7,907,777</u>	<u>-</u>	<u>1,115,191</u>
Expenditures:					
Current:					
General government	-	-	-	-	5,770
Public safety	-	-	7,975,827	-	402,494
Health and human services	-	-	-	-	228,204
Education	-	11,379,666	-	-	-
Public works	-	-	-	1,766,038	80,333
Culture and recreation	1,181,426	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	418,601	-	-	1,107,565	-
Interest	151,476	-	-	587,328	-
Total expenditures	<u>1,751,503</u>	<u>11,379,666</u>	<u>7,975,827</u>	<u>3,460,931</u>	<u>716,801</u>
Excess (deficiency) of revenues over expenditures	<u>(277,325)</u>	<u>(1,339,076)</u>	<u>(68,050)</u>	<u>(3,460,931)</u>	<u>398,390</u>
Other financing sources (uses):					
Transfers in	760,102	-	68,277	3,099,769	21,594
Transfers (out)	-	-	(1,274)	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>760,102</u>	<u>-</u>	<u>67,003</u>	<u>3,099,769</u>	<u>21,594</u>
Net change in fund balances	<u>482,777</u>	<u>(1,339,076)</u>	<u>(1,047)</u>	<u>(361,162)</u>	<u>419,984</u>
Fund balances – beginning	<u>(882,350)</u>	<u>2,713,576</u>	<u>1,047</u>	<u>559,869</u>	<u>1,651,639</u>
Fund balances – ending	<u>\$ (399,573)</u>	<u>1,374,500</u>	<u>-</u>	<u>198,707</u>	<u>2,071,623</u>

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
1,082,181	139,106	2,479,501	6,030,722	13,896,409	33,165,214
-	-	-	-	209	209
1,378,464	5,913,471	29,394	2,700	33,852	18,358,322
-	-	-	34,613	3,903,485	3,938,098
-	-	-	-	-	-
-	12,978	-	-	327,134	340,112
<u>2,460,645</u>	<u>6,065,555</u>	<u>2,508,895</u>	<u>6,068,035</u>	<u>18,161,089</u>	<u>55,801,955</u>
-	-	-	-	4,394,689	4,400,459
-	-	-	-	3,552,089	11,930,410
-	-	-	6,197,316	8,193,328	14,618,848
2,512,762	-	-	-	-	13,892,428
-	-	-	-	361,259	2,207,630
-	-	-	-	1,254,190	2,435,616
-	-	1,646,207	-	173,934	1,820,141
-	-	496,463	-	56,765	2,079,394
-	-	402,811	-	32,050	1,173,665
<u>2,512,762</u>	<u>-</u>	<u>2,545,481</u>	<u>6,197,316</u>	<u>18,018,304</u>	<u>54,558,591</u>
(52,117)	6,065,555	(36,586)	(129,281)	142,785	1,243,364
12,474	-	-	-	2,820,462	6,782,678
-	(6,042,697)	(2,297)	-	(133,795)	(6,180,063)
-	1,092,895	-	-	-	1,092,895
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	839,769	-	-	-	839,769
<u>12,474</u>	<u>(4,110,033)</u>	<u>(2,297)</u>	<u>-</u>	<u>2,686,667</u>	<u>2,535,279</u>
(39,643)	1,955,522	(38,883)	(129,281)	2,829,452	3,778,643
2,044,378	17,023,412	115,384	1,337,668	8,600,163	33,164,786
<u>2,004,735</u>	<u>18,978,934</u>	<u>76,501</u>	<u>1,208,387</u>	<u>11,429,615</u>	<u>36,943,429</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, 2013

	Capital Projects Funds			
	DCU Construction	Street and Sidewalk	Capital Equipment	School Construction
Revenues:				
Intergovernmental	\$ -	6,306,088	-	-
Investment earnings	-	-	-	-
Charges for services	-	-	-	-
Donations	-	-	-	-
Contributions to permanent funds	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>6,306,088</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	212,259	-
Public safety	-	-	883,636	-
Health and human services	-	-	-	-
Education	-	-	532,970	1,930,463
Public works	-	21,463,627	648,106	-
Culture and recreation	8,590,424	-	535,686	-
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,590,424</u>	<u>21,463,627</u>	<u>2,812,657</u>	<u>1,930,463</u>
Excess (deficiency) of revenues over expenditures	<u>(8,590,424)</u>	<u>(15,157,539)</u>	<u>(2,812,657)</u>	<u>(1,930,463)</u>
Other financing sources (uses):				
Transfers in	950,000	-	250,000	-
Transfers (out)	-	(818,109)	-	-
Premium on issuance of bonds	-	-	-	-
Issuance of bonds	1,810,000	14,160,000	2,375,000	7,150,000
Premium on issuance of refunding bonds	17,000	6,300	-	24,400
Issuance of refunding bonds	170,900	63,700	-	245,600
Refunded bonds redeemed	(187,900)	(70,000)	-	(270,000)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>2,760,000</u>	<u>13,341,891</u>	<u>2,625,000</u>	<u>7,150,000</u>
Net change in fund balances	<u>(5,830,424)</u>	<u>(1,815,648)</u>	<u>(187,657)</u>	<u>5,219,537</u>
Fund balances – beginning	<u>(312,583)</u>	<u>(7,592,452)</u>	<u>(1,572,189)</u>	<u>(3,964,672)</u>
Fund balances – ending	<u>\$ (6,143,007)</u>	<u>(9,408,100)</u>	<u>(1,759,846)</u>	<u>1,254,865</u>

Capital Projects Funds

Parks Improvements	Union Station Garage	Other	Subtotal
786,261	-	32,416	7,124,765
-	-	53	53
1,343,310	-	1,857,760	3,201,070
-	-	-	-
<u>2,129,571</u>	<u>-</u>	<u>1,890,229</u>	<u>10,325,888</u>
-	-	-	212,259
-	-	-	883,636
-	-	-	-
-	-	-	2,463,433
5,854,317	-	478,737	22,590,470
-	-	-	14,980,427
-	-	-	-
<u>5,854,317</u>	<u>-</u>	<u>478,737</u>	<u>41,130,225</u>
<u>(3,724,746)</u>	<u>-</u>	<u>1,411,492</u>	<u>(30,804,337)</u>
792,500	-	152,086	2,144,586
-	(950,000)	-	(1,768,109)
-	-	-	-
4,905,000	-	1,165,000	31,565,000
15,600	-	19,900	83,200
156,400	-	200,100	836,700
(172,000)	-	(220,000)	(919,900)
-	-	-	-
<u>5,697,500</u>	<u>(950,000)</u>	<u>1,317,086</u>	<u>31,941,477</u>
1,972,754	(950,000)	2,728,578	1,137,140
<u>(1,848,944)</u>	<u>2,452,669</u>	<u>1,274,240</u>	<u>(11,563,931)</u>
<u>123,810</u>	<u>1,502,669</u>	<u>4,002,818</u>	<u>(10,426,791)</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, 2013

	Permanent Funds				
	Hope Cemetery	Health Department	Library	Schools	Parks
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Investment earnings (losses)	460,777	335,334	713,533	93,313	60,124
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	65,217	-	925	3,078	-
Miscellaneous	-	-	-	-	-
Total revenues	525,994	335,334	714,458	96,391	60,124
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	1,485	-	-	-
Education	-	-	-	22,775	-
Public works	-	-	-	-	-
Culture and recreation	-	-	127,309	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,485	127,309	22,775	-
Excess (deficiency) of revenues over expenditures	525,994	333,849	587,149	73,616	60,124
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(39,057)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium on issuance of refunding bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(39,057)	-	-	-	-
Net change in fund balances	486,937	333,849	587,149	73,616	60,124
Fund balances – beginning	2,753,990	2,015,626	7,473,876	608,496	365,606
Fund balances – ending	\$ 3,240,927	2,349,475	8,061,025	682,112	425,730

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
-	-	-	-	-	40,289,979
1,264	48,946	77,403	665	1,791,359	1,791,621
-	-	-	-	-	18,358,322
-	-	-	-	-	7,139,168
-	-	-	-	69,220	69,220
-	-	-	-	-	340,112
<u>1,264</u>	<u>48,946</u>	<u>77,403</u>	<u>665</u>	<u>1,860,579</u>	<u>67,988,422</u>
-	-	-	-	-	4,612,718
-	-	-	-	-	12,814,046
-	-	-	500	1,985	14,620,833
-	10,229	-	-	22,775	16,378,636
-	-	-	-	10,229	24,808,329
-	-	-	-	127,309	17,543,352
-	-	-	-	-	1,820,141
-	-	-	-	-	2,079,394
-	-	-	-	-	1,173,665
-	<u>10,229</u>	-	<u>500</u>	<u>162,298</u>	<u>95,851,114</u>
<u>1,264</u>	<u>38,717</u>	<u>77,403</u>	<u>165</u>	<u>1,698,281</u>	<u>(27,862,692)</u>
-	-	-	-	-	8,927,264
-	-	-	-	(39,057)	(7,987,229)
-	-	-	-	-	1,092,895
-	-	-	-	-	31,565,000
-	-	-	-	-	83,200
-	-	-	-	-	836,700
-	-	-	-	-	(919,900)
-	-	-	-	-	839,769
-	-	-	-	(39,057)	34,437,699
1,264	38,717	77,403	165	1,659,224	6,575,007
7,602	318,770	479,601	6,746	14,030,313	35,631,168
<u>8,866</u>	<u>357,487</u>	<u>557,004</u>	<u>6,911</u>	<u>15,689,537</u>	<u>42,206,175</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Golf Course Enterprise Fund (nonmajor)

Schedule of Revenues, Expenditures and
Changes in Fund Balance –Budget and Actual – Budgetary Basis
For the Fiscal Year Ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,189,800	1,189,800	1,055,618	(134,182)
Miscellaneous	6,633	6,633	2,423	(4,210)
Total revenues	<u>1,196,433</u>	<u>1,196,433</u>	<u>1,058,041</u>	<u>(138,392)</u>
Expenditures:				
Salaries and benefits	287,318	306,008	302,559	3,449
Ordinary maintenance	728,513	728,513	723,733	4,780
Debt service	280,346	261,656	225,732	35,924
Indirect costs	29,803	29,803	29,803	-
Total expenditures	<u>1,325,980</u>	<u>1,325,980</u>	<u>1,281,827</u>	<u>44,153</u>
Excess (deficiency) of revenues over expenditures	<u>(129,547)</u>	<u>(129,547)</u>	<u>(223,786)</u>	<u>(94,239)</u>
Other financing sources (uses):				
Transfers in	150,000	244,239	244,239	-
Transfers (out) for pension bond assessment	<u>(20,453)</u>	<u>(20,453)</u>	<u>(20,453)</u>	<u>-</u>
Total other financing sources (uses)	<u>129,547</u>	<u>223,786</u>	<u>223,786</u>	<u>-</u>
Net changes in fund balance	-	94,239	-	(94,239)
Budgetary fund balance – beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ -</u>	<u>94,239</u>	<u>-</u>	<u>(94,239)</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, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 34,019,908	34,019,908	33,001,826	(1,018,082)
Miscellaneous	266,000	266,000	702,988	436,988
Total revenues	<u>34,285,908</u>	<u>34,285,908</u>	<u>33,704,814</u>	<u>(581,094)</u>
Expenditures:				
Salaries and benefits	5,438,902	5,495,485	5,280,785	214,700
Ordinary maintenance	18,866,976	18,673,804	17,918,598	755,206
Capital	24,500	24,500	18,079	6,421
Debt service	6,259,728	6,259,728	6,226,667	33,061
Indirect costs	3,130,991	3,267,580	3,267,580	-
Total expenditures	<u>33,721,097</u>	<u>33,721,097</u>	<u>32,711,709</u>	<u>1,009,388</u>
Excess of revenues over expenditures	<u>564,811</u>	<u>564,811</u>	<u>993,105</u>	<u>428,294</u>
Other financing sources (uses):				
Transfers (out) other	-	(300,000)	(300,000)	-
Transfers (out) for pension bond assessment	<u>(564,811)</u>	<u>(564,811)</u>	<u>(564,811)</u>	<u>-</u>
Total other financing (uses)	<u>(564,811)</u>	<u>(864,811)</u>	<u>(864,811)</u>	<u>-</u>
Net changes in fund balance	-	(300,000)	128,294	428,294
Budgetary fund balance – beginning	<u>2,161,699</u>	<u>2,161,699</u>	<u>2,161,699</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 2,161,699</u>	<u>1,861,699</u>	<u>2,289,993</u>	<u>428,294</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, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 26,764,739	26,764,739	25,929,457	(835,282)
Miscellaneous	640,000	640,000	1,182,205	542,205
Total revenues	<u>27,404,739</u>	<u>27,404,739</u>	<u>27,111,662</u>	<u>(293,077)</u>
Expenditures:				
Salaries and benefits	9,982,067	9,882,846	9,096,044	786,802
Ordinary maintenance	3,439,023	3,437,256	3,412,834	24,422
Capital	25,000	25,000	19,693	5,307
Debt service	11,204,120	11,252,288	11,220,288	32,000
Indirect costs	2,002,778	2,055,599	2,055,599	-
Total expenditures	<u>26,652,988</u>	<u>26,652,989</u>	<u>25,804,458</u>	<u>848,531</u>
Excess of revenues over expenditures	<u>751,751</u>	<u>751,750</u>	<u>1,307,204</u>	<u>555,454</u>
Other financing (uses):				
Transfers (out) other	-	(300,000)	(300,000)	-
Transfers (out) for pension bond assessment	<u>(751,751)</u>	<u>(751,751)</u>	<u>(751,751)</u>	<u>-</u>
Total other financing (uses)	<u>(751,751)</u>	<u>(1,051,751)</u>	<u>(1,051,751)</u>	<u>-</u>
Net changes in fund balance	-	(300,001)	255,453	555,454
Budgetary fund balance – beginning	<u>2,374,068</u>	<u>2,374,068</u>	<u>2,374,068</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 2,374,068</u>	<u>2,074,067</u>	<u>2,629,521</u>	<u>555,454</u>

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CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2013

<u>Function and activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>
General government:			
Manager	\$ 5,647,131	-	-
Information Services	-	1,788,201	-
Total general government	<u>5,647,131</u>	<u>1,788,201</u>	<u>-</u>
Public safety:			
Police	514,500	1,847,043	235,888
Fire	1,074,600	11,855,916	-
Code Inspection	209,905	306,126	-
Communications	-	703,125	-
Total public safety	<u>1,799,005</u>	<u>14,712,210</u>	<u>235,888</u>
Health and human services:			
Elder Affairs	-	1,378,843	30,231
Public works	<u>3,489,339</u>	<u>36,122,462</u>	<u>701,231</u>
Education	<u>3,358,537</u>	<u>231,854,965</u>	<u>2,211,256</u>
Culture and recreation:			
Library	305,000	14,705,118	-
Auditorium	150,000	1,745,202	-
DCU Center	263,000	40,429,701	-
Hope Cemetery	290,000	800,253	-
Parks	5,097,800	4,235,586	24,164,575
Total culture and recreation	<u>6,105,800</u>	<u>61,915,860</u>	<u>24,164,575</u>
Total governmental activities capital assets	<u>\$ 20,399,812</u>	<u>347,772,541</u>	<u>27,343,181</u>

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
-	-	-	25,673,387	31,320,518
-	127,910	-	-	1,916,111
-	127,910	-	25,673,387	33,236,629
25,816	2,850	-	-	2,626,097
3,296,924	403,814	783,192	-	17,414,446
-	-	-	-	516,031
-	48,880	-	-	752,005
3,322,740	455,544	783,192	-	21,308,579
-	-	-	-	1,409,074
1,583,299	16,080	114,862,066	73,873,940	230,648,417
359,473	1,019,301	-	5,054,693	243,858,225
-	518,959	-	-	15,529,077
-	-	-	-	1,895,202
-	92,431	-	9,306,402	50,091,534
-	-	-	-	1,090,253
189,674	194,427	201,036	6,453,842	40,536,940
189,674	805,817	201,036	15,760,244	109,143,006
<u>5,455,186</u>	<u>2,424,652</u>	<u>115,846,294</u>	<u>120,362,264</u>	<u>639,603,930</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, 2013

Function and activity	Governmental activities capital assets July 1, 2012	Additions	Deductions	Governmental activities capital assets June 30, 2013
General government:				
Manager	\$ 18,685,233	13,786,963	1,151,678	31,320,518
Information Services	2,002,972	-	86,861	1,916,111
Total general government	<u>20,688,205</u>	<u>13,786,963</u>	<u>1,238,539</u>	<u>33,236,629</u>
Public safety:				
Police	2,928,591	-	302,494	2,626,097
Fire	18,074,636	418,036	1,078,226	17,414,446
Code Inspection	570,567	-	54,536	516,031
Communications	857,474	-	105,469	752,005
Total public safety	<u>22,431,268</u>	<u>418,036</u>	<u>1,540,725</u>	<u>21,308,579</u>
Health and human services:				
Elder Affairs	1,624,067	-	214,993	1,409,074
Public works	201,280,552	41,309,424	11,941,559	230,648,417
Education	251,653,584	3,674,992	11,470,351	243,858,225
Culture and recreation:				
Library	15,755,599	440,383	666,905	15,529,077
Auditorium	1,573,557	503,466	181,821	1,895,202
DCU Center	44,158,132	8,530,689	2,597,287	50,091,534
Hope Cemetery	1,119,060	-	28,807	1,090,253
Parks	37,776,844	4,943,880	2,183,784	40,536,940
Total culture and recreation	<u>100,383,192</u>	<u>14,418,418</u>	<u>5,658,604</u>	<u>109,143,006</u>
Total governmental activities capital assets	<u>\$ 598,060,868</u>	<u>73,607,833</u>	<u>32,064,771</u>	<u>639,603,930</u>

CITY OF WORCESTER, MASSACHUSETTS
 Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 391,002	448,016	(414,977)	424,041
LIABILITIES				
Accounts payable and accrued expenses	\$ 6,333	10,203	(6,333)	10,203
Due to student groups	384,669	448,016	(418,847)	413,838
Total liabilities	\$ 391,002	458,219	(425,180)	424,041

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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	131
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	144
These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	149
These tables contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	152
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	155
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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CITY OF WORCESTER, MASSACHUSETTS

Net Position by Component (1)
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

Table 1

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets (1)	\$ 140,340	127,478	128,364	175,962	187,454	201,247	236,864	280,669	288,776	310,299
Restricted	13,305	39,064	29,255	45,711	65,072	42,371	29,804	42,290	40,376	43,534
Unrestricted	(109,751)	(114,087)	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)	(230,791)	(232,785)	(254,054)
Total governmental activities net position	\$ 43,894	52,455	39,112	107,010	89,421	68,295	57,753	92,168	96,367	99,779
Business-type activities:										
Net investment in capital assets (1)	\$ 117,755	109,124	104,871	99,181	110,861	121,480	120,990	87,708	87,856	86,123
Restricted	253	2,749	-	-	-	-	-	1,601	-	-
Unrestricted	6,768	13,550	20,271	24,749	11,716	10,026	7,978	8,344	10,776	11,024
Total business-type net position	\$ 124,776	125,423	125,142	123,930	122,577	131,506	128,968	97,653	98,632	97,147
Primary government:										
Net investment in capital assets (1)	\$ 258,095	236,602	233,235	275,143	298,315	322,727	357,854	368,377	376,632	396,422
Restricted	13,558	41,813	29,255	45,711	65,072	42,371	29,804	43,891	40,376	43,534
Unrestricted	(102,983)	(100,537)	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)	(222,447)	(222,009)	(243,030)
Total primary government net position	\$ 168,670	177,878	164,254	230,940	211,998	199,801	186,721	189,821	194,999	196,926

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

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (2)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Table 2

	2004	2005	2006	2007	2008 (1)	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 14,458	16,316	18,222	19,583	22,268	23,416	20,862	21,026	21,552	24,652
Public safety	98,633	105,119	113,545	115,321	132,411	130,554	126,546	123,114	126,488	129,490
Health and human services	17,431	21,524	20,880	19,873	23,366	21,229	23,994	25,033	20,597	18,396
Education	314,670	329,699	353,126	366,311	406,208	421,160	425,765	432,824	435,526	451,582
Public works	34,274	31,077	27,027	26,954	34,727	41,457	33,387	37,435	39,584	40,387
Culture and recreation	16,073	14,625	15,794	18,621	19,895	16,475	20,018	17,528	21,535	21,756
Community development	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820
Redevelopment	30	5,770	-	-	-	-	-	-	-	-
Interest on debt	24,626	25,734	25,336	25,283	25,366	24,534	25,351	22,573	23,968	25,873
Total governmental activities expenses	524,624	554,053	577,495	595,819	669,005	683,767	682,041	687,459	693,649	713,956
Business-type activities:										
Water	20,804	21,535	22,141	24,727	25,213	25,669	25,638	24,911	24,388	25,734
Sewer	17,238	22,719	24,352	28,309	29,258	31,134	32,742	33,737	35,284	37,991
Airport	3,958	4,158	4,527	4,360	4,703	5,082	5,047	1,417	-	-
Golf course (nonmajor)	1,030	1,026	1,164	1,180	1,227	1,148	1,122	1,238	1,246	1,293
Total business-type expenses	43,030	49,438	52,184	58,576	60,401	63,033	64,549	61,303	60,918	65,018
Total primary government expenses	\$ 567,654	603,491	629,679	654,395	729,406	746,800	746,590	748,762	754,567	778,974
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 12,043	12,997	12,940	13,925	13,580	11,813	13,536	13,775	15,935	14,969
Public works	6,337	6,674	7,436	8,005	9,160	11,078	10,970	10,986	11,917	9,920
Other activities	6,823	6,889	6,700	7,780	7,641	7,383	8,443	9,738	8,823	8,752
Operating grants and contributions	284,486	303,411	295,107	315,692	326,260	345,103	348,563	368,157	363,538	365,227
Capital grants and contributions	4,539	5,160	5,217	65,551	28,979	23,187	28,084	32,916	10,691	23,252
Total governmental activities program revenues	314,228	335,131	327,400	410,953	385,620	398,564	409,596	435,572	410,904	422,120
Business-type activities:										
Charges for services:										
Water	23,154	24,132	22,735	24,623	24,251	24,993	24,102	25,946	27,002	26,838
Sewer	15,627	19,775	22,449	25,670	26,928	28,939	29,247	31,320	34,443	34,066
Airport	687	915	978	844	802	862	1,015	152	-	-
Golf course (nonmajor)	1,068	1,029	1,041	1,088	1,127	1,048	987	1,035	1,127	1,058
Operating grants and contributions	1,202	1,241	1,006	593	1,174	1,395	1,413	1,282	-	385
Capital grants and contributions	3,362	3,081	3,114	2,255	4,226	14,821	3,514	641	2,691	2,106
Total business-type activities program revenues	45,100	50,173	51,323	55,073	58,508	72,058	60,278	60,376	65,263	64,453
Total primary government program revenues	\$ 359,328	385,304	378,723	466,026	444,128	470,622	469,874	495,948	476,167	486,573

(continued)

CITY OF WORCESTER, MASSACHUSETTS

Changes in Net Position (2)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Table 2

	2004	2005	2006	2007	2008 (1)	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ (210,396)	(218,922)	(250,095)	(184,866)	(283,385)	(285,203)	(272,445)	(251,887)	(282,745)	(291,836)
Business-type activities	2,070	735	(861)	(3,503)	(1,893)	9,025	(4,271)	(927)	4,345	(565)
Total primary government net (expense)/ revenue	<u>\$ (208,326)</u>	<u>(218,187)</u>	<u>(250,956)</u>	<u>(188,369)</u>	<u>(285,278)</u>	<u>(276,178)</u>	<u>(276,716)</u>	<u>(252,814)</u>	<u>(278,400)</u>	<u>(292,401)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 156,461	161,648	171,490	179,130	188,930	197,472	205,558	215,511	225,460	233,206
Motor vehicle excise taxes	12,581	13,503	12,096	11,893	12,932	11,393	11,050	11,519	11,866	12,720
Intergovernmental	39,406	43,026	44,146	53,813	54,561	48,493	37,476	36,220	36,298	36,039
Other	6,458	9,073	9,493	10,060	9,000	6,269	9,505	12,809	9,886	11,730
Transfers (net)	1,168	88	(580)	(2,291)	(540)	96	(1,733)	13,250	3,366	920
Gain on sale of capital assets	-	-	-	-	622	296	-	-	-	564
Donations	-	145	107	159	291	58	47	48	68	69
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	(3,055)	-	-
Total governmental activities	<u>216,074</u>	<u>227,483</u>	<u>236,752</u>	<u>252,764</u>	<u>265,796</u>	<u>264,077</u>	<u>261,903</u>	<u>286,302</u>	<u>286,944</u>	<u>295,248</u>
Business-type activities										
Transfers (net)	(1,168)	(88)	580	2,291	540	(96)	1,733	(13,250)	(3,366)	(920)
Loss on airport disposal	-	-	-	-	-	-	-	(20,193)	-	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	3,055	-	-
Total business-type activities	<u>(1,168)</u>	<u>(88)</u>	<u>580</u>	<u>2,291</u>	<u>540</u>	<u>(96)</u>	<u>1,733</u>	<u>(30,388)</u>	<u>(3,366)</u>	<u>(920)</u>
Total primary government	<u>\$ 214,906</u>	<u>227,395</u>	<u>237,332</u>	<u>255,055</u>	<u>266,336</u>	<u>263,981</u>	<u>263,636</u>	<u>255,914</u>	<u>283,578</u>	<u>294,328</u>
Changes in Net Position										
Governmental activities	\$ 5,678	8,561	(13,343)	67,898	(17,589)	(21,126)	(10,542)	34,415	4,199	3,412
Business-type activities	902	647	(281)	(1,212)	(1,353)	8,929	(2,538)	(31,315)	979	(1,485)
Total primary government	<u>\$ 6,580</u>	<u>9,208</u>	<u>(13,624)</u>	<u>66,686</u>	<u>(18,942)</u>	<u>(12,197)</u>	<u>(13,080)</u>	<u>3,100</u>	<u>5,178</u>	<u>1,927</u>

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

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

(concluded)

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

Table 3

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Total
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	1,104	198	20	203,184
2009	197,472	11,393	1,483	327	30	210,705
2010	205,558	11,050	1,422	1,431	31	219,492
2011	215,511	11,519	1,787	2,450	32	231,299
2012	225,460	11,866	1,939	2,568	32	241,865
2013	233,206	12,720	1,940	2,686	45	250,597

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 4

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011 (2)	2012	2013
General fund:										
Reserved	\$ 1,618	1,618	-	-	-	-	-	-	-	-
Unreserved	10,385	14,857	9,290	10,025	11,906	6,107	12,029	-	-	-
Restricted	-	-	-	-	-	-	-	1,070	1,444	2,652
Unassigned	-	-	-	-	-	-	-	17,758	25,520	27,869
Total general fund	<u>\$ 12,003</u>	<u>16,475</u>	<u>9,290</u>	<u>10,025</u>	<u>11,906</u>	<u>6,107</u>	<u>12,029</u>	<u>18,828</u>	<u>26,964</u>	<u>30,521</u>
All other governmental funds:										
Reserved	\$ 32,861	37,387	29,102	34,323	30,418	34,077	24,963	-	-	-
Unreserved, reported in:										
Special revenue funds	20,103	20,646	18,056	11,171	13,438	17,974	18,098	-	-	-
Capital projects funds (1)	20,372	16,923	(12,039)	11,196	34,529	8,215	4,752	-	-	-
Permanent funds	88	60	153	191	125	79	89	-	-	-
Nonspendable	-	-	-	-	-	-	-	14,215	13,918	15,579
Restricted	-	-	-	-	-	-	-	37,287	31,849	32,228
Committed	-	-	-	-	-	-	-	22,673	29,057	35,896
Unassigned	-	-	-	-	-	-	-	(11,518)	(35,686)	(38,492)
Total all other governmental funds	<u>\$ 73,424</u>	<u>75,016</u>	<u>35,272</u>	<u>56,881</u>	<u>78,510</u>	<u>60,345</u>	<u>47,902</u>	<u>62,657</u>	<u>39,138</u>	<u>45,211</u>

(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.

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Property taxes	\$ 156,945	163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,327
Motor vehicle excise taxes	13,205	13,101	12,189	12,545	12,677	11,370	11,551	11,311	11,888	12,843
Other taxes and in-lieu payments	2,123	1,971	2,252	2,188	3,684	4,941	5,539	6,365	6,015	6,064
Penalties and interest on taxes	2,669	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532
Licenses and permits	5,486	5,692	5,571	4,354	4,726	4,402	4,890	4,865	5,210	4,992
Intergovernmental	327,833	356,548	350,840	407,873	405,755	411,424	423,208	445,106	417,838	425,047
Charges for services	16,758	17,645	17,913	19,920	21,107	21,055	22,847	23,539	24,988	24,106
Fines and forfeitures	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594
Investment earnings (losses)	1,811	2,056	3,100	4,292	2,766	(929)	1,598	2,543	(35)	2,116
Donations	3,022	2,908	2,640	3,793	4,951	2,468	3,633	5,528	4,677	11,396
Contributions to permanent funds	48	145	107	159	291	58	47	48	68	69
Miscellaneous	1,224	3,063	1,725	1,295	1,013	1,246	1,621	89	1,723	1,452
Total revenues	533,678	572,627	573,619	639,868	652,111	659,554	685,228	720,855	703,590	726,538
EXPENDITURES										
General government	12,023	13,861	14,314	15,720	17,957	16,644	15,308	15,936	28,650	31,911
Public safety	72,876	79,286	82,119	87,316	93,942	92,323	89,308	90,395	94,006	93,314
Health and human services	14,055	18,545	17,045	16,470	19,649	18,172	21,118	22,499	17,788	15,547
Education	256,223	271,977	261,385	257,076	261,869	285,359	297,701	302,392	299,134	296,957
Public works	24,833	29,652	29,629	44,611	49,363	39,126	39,087	53,773	55,072	61,137
Culture and recreation	11,314	14,295	11,323	14,203	14,766	16,753	20,952	17,402	16,758	26,590
Fringe benefits	103,213	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073
Community development	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399	1,820
Redevelopment	30	5,769	-	-	-	-	-	-	-	-
State & regional charges	14,909	16,514	19,445	20,551	23,914	26,102	26,865	28,255	29,526	31,243
Debt service:										
Principal	27,216	28,124	30,430	32,886	32,774	34,761	36,637	38,813	36,747	36,746
Interest	24,515	24,674	25,034	26,020	25,829	26,098	24,827	24,023	26,890	27,269
Total expenditures	565,636	625,263	620,670	649,472	681,040	684,598	716,820	748,733	752,692	770,607
Excess of revenues (under) expenditures	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)	(27,878)	(49,102)	(44,069)

(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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 14,248	17,608	14,048	13,968	21,296	23,452	21,954	51,549	27,305	27,117
Transfers (out)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)	(38,299)	(23,832)	(26,197)
Premium on issuance of bonds and notes	487	3,697	702	464	423	651	820	804	479	3,789
Sale of capital assets	-	-	-	-	1,366	325	29	478	-	840
Premium from issuance of refunding bonds	-	-	-	-	-	-	-	-	-	300
Issuance of refunding bonds	-	18,241	55,960	-	-	542	-	-	7,422	3,015
Issuance of bonds and notes	72,440	54,915	-	33,775	50,067	-	25,955	34,900	29,867	48,150
Payments to refunded bond escrow agent	-	(18,241)	(55,960)	-	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-	(535)	-	-	(7,521)	(3,315)
Total other financing sources (uses), net	<u>73,453</u>	<u>58,700</u>	<u>122</u>	<u>31,948</u>	<u>52,439</u>	<u>1,079</u>	<u>25,072</u>	<u>49,432</u>	<u>33,720</u>	<u>53,699</u>
Net change in fund balances	\$ <u>41,495</u>	<u>6,064</u>	<u>(46,929)</u>	<u>22,344</u>	<u>23,510</u>	<u>(23,965)</u>	<u>(6,520)</u>	<u>21,554</u>	<u>(15,382)</u>	<u>9,630</u>
Debt service as a percentage of noncapital expenditures	9.9%	9.3%	9.4%	9.6%	9.2%	9.3%	9.3%	9.2%	9.2%	9.1%

(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

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Total
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	1,104	198	20	203,200
2009	197,777	11,370	1,483	327	30	210,630
2010	204,832	11,550	1,422	1,431	31	219,266
2011	216,370	11,311	1,787	2,450	32	231,950
2012	225,501	11,888	1,939	2,568	32	241,928
2013	233,328	12,843	1,940	2,686	45	250,842

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of
Accounting
Year ended June 30, 2013

Graph 1

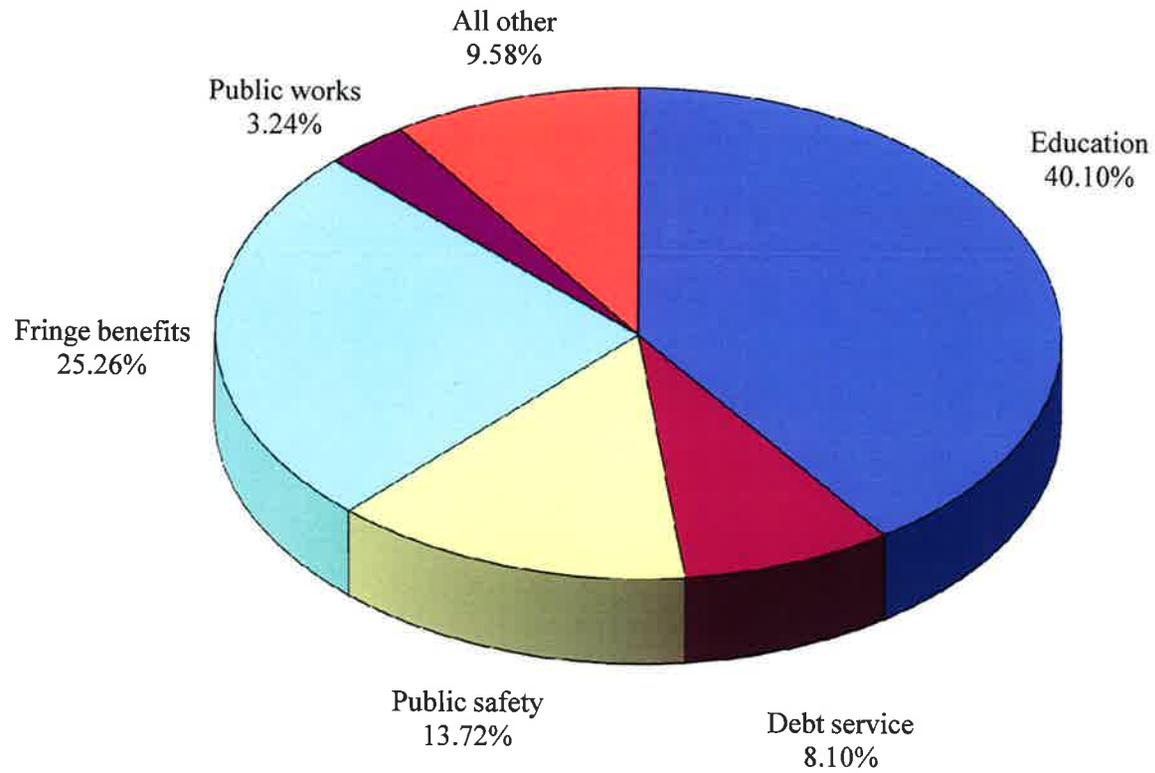


Table 7

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	\$ 10,391	11,216	12,574	13,316	13,785	13,981	12,749	13,730	14,598	15,570
Public safety	63,359	64,776	71,360	74,813	78,576	79,656	76,689	74,931	77,812	80,413
Health and human services	2,841	2,805	3,629	3,832	3,776	2,639	575	675	764	926
Education	189,472	190,912	199,411	191,976	197,241	199,840	198,001	205,918	222,923	235,106
Public works	15,086	19,000	17,537	16,610	20,121	22,491	18,096	18,255	18,030	18,995
Culture and recreation	6,839	7,121	7,679	8,441	8,400	9,016	7,955	7,807	8,123	8,467
Fringe benefits	103,212	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722	148,073
State and regional charges	14,909	16,514	19,445	20,550	23,914	26,102	26,865	28,254	29,526	31,243
Debt service	44,299	44,478	44,114	45,466	45,328	45,523	46,853	47,095	47,067	47,510
Totals	\$ <u>450,408</u>	<u>475,199</u>	<u>502,130</u>	<u>505,750</u>	<u>527,354</u>	<u>523,566</u>	<u>526,682</u>	<u>543,984</u>	<u>562,565</u>	<u>586,303</u>

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues – Modified Accrual Basis of Accounting
Year ended June 30, 2013

Graph 2

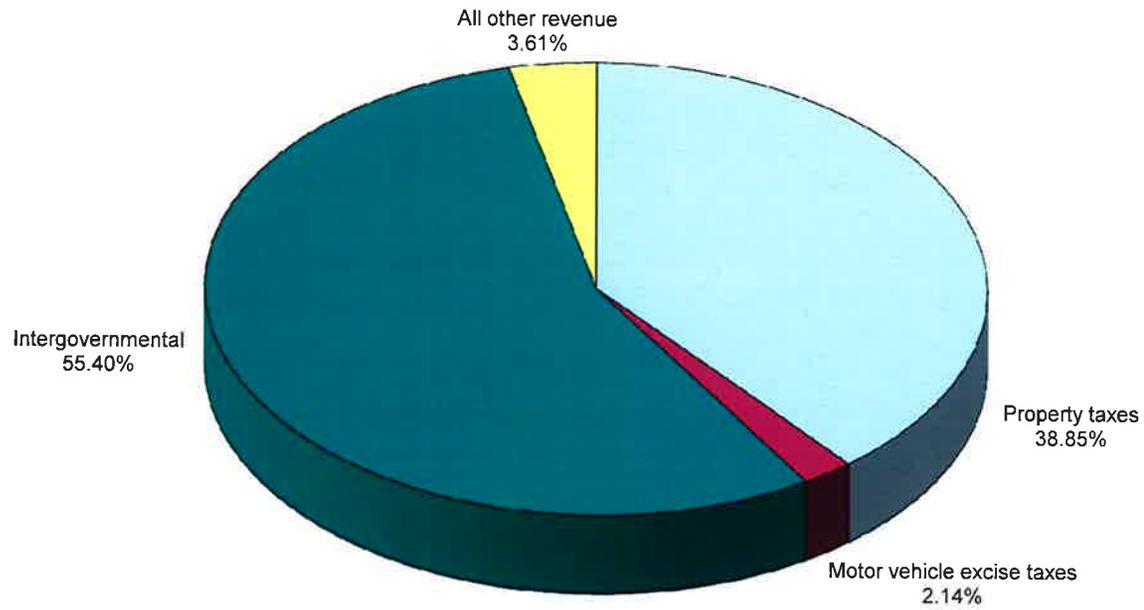


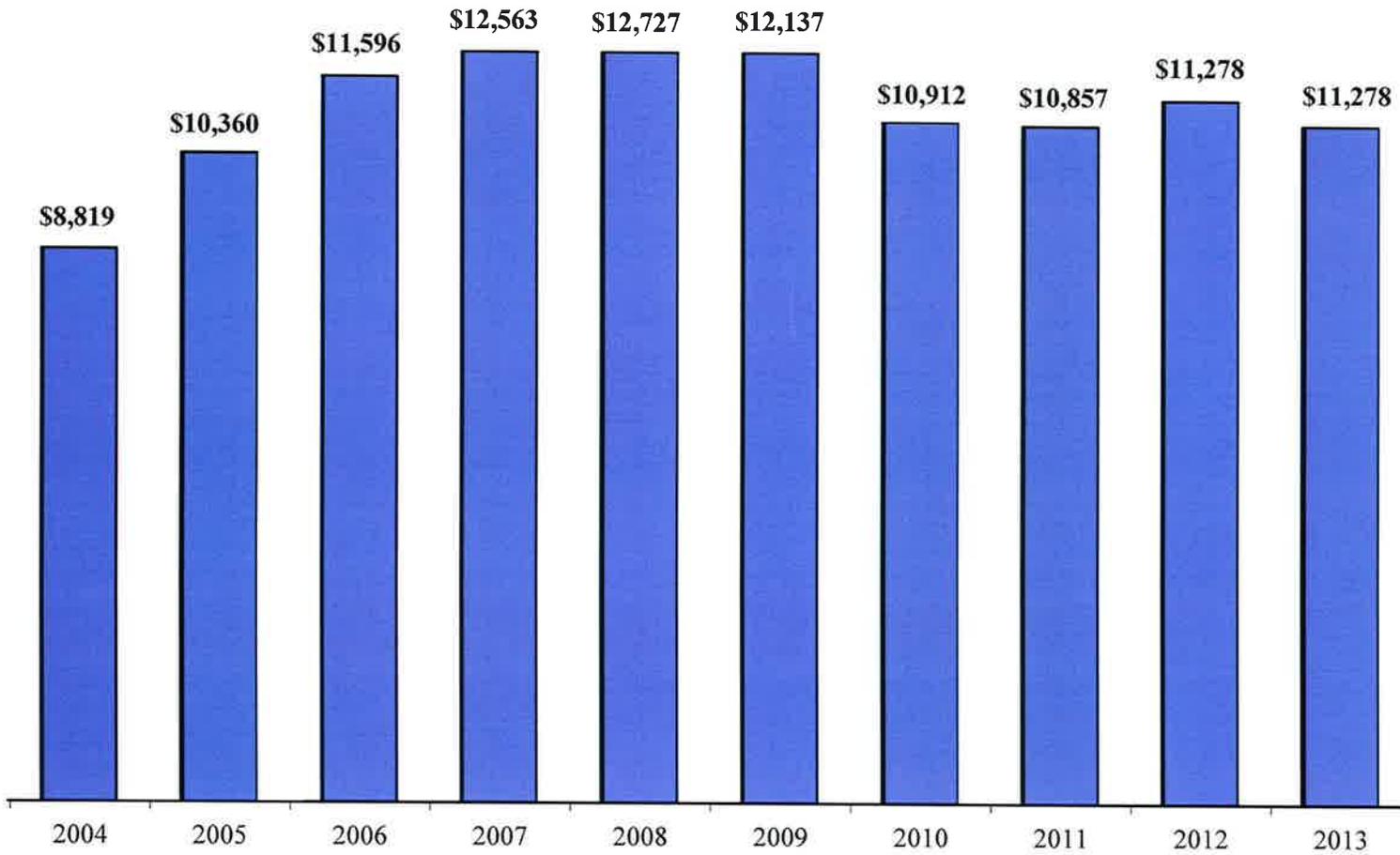
Table 8

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Property taxes	\$ 156,942	163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501	233,328
Motor vehicle excise taxes	13,205	13,101	12,189	12,545	12,677	11,370	11,550	11,311	11,888	12,843
Other taxes and in-lieu payments	2,123	1,971	2,252	2,188	2,556	2,529	3,208	4,934	4,440	4,413
Penalties and interest on taxes	2,670	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872	2,532
Licenses and permits	5,486	5,692	5,571	4,355	4,726	4,402	4,890	4,865	5,210	4,992
Intergovernmental	268,001	280,301	293,362	295,983	311,475	295,327	303,512	306,267	321,719	332,726
Charges for services	3,864	4,052	3,760	5,684	6,232	5,918	5,909	5,939	5,814	5,746
Fines and forfeitures	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845	2,594
Investment earnings	476	1,170	2,140	2,349	1,806	462	105	68	100	318
Miscellaneous	733	1,079	852	1,093	773	790	1,438	1,429	1,318	1,112
Totals	\$ <u>456,054</u>	<u>476,864</u>	<u>497,408</u>	<u>507,646</u>	<u>535,386</u>	<u>524,317</u>	<u>540,906</u>	<u>556,274</u>	<u>581,707</u>	<u>600,604</u>

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, except for total direct tax rate)

Table 9

Fiscal Year	Assessed value			Total taxable Assessed Value	Total Direct tax Rate (1)	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
	Residential Property	Commercial and Industrial Property	Personal Property							
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
2009	9,816,042	1,933,249	387,967	12,137,258	16.41	13,827,180	87.78	3,004,042	15,141,300	19.84
2010	8,585,028	1,916,902	410,012	10,911,942	19.02	13,827,180	78.92	2,996,065	13,908,007	21.54
2011	8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	2,960,659	13,817,521	21.43
2012	8,157,509	2,527,779	592,328	11,277,616	20.32	11,928,304	94.55	4,460,004	15,737,620	28.34
2013	7,817,607	2,477,244	584,005	10,878,856	22.03	12,173,645	89.36	4,419,631	15,298,487	28.89

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

Table 10

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

<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
2004	\$ 14.75	29.60	29.60	17.75
2005	13.18	27.60	27.60	15.77
2006	12.53	25.20	25.20	14.88
2007	12.10	25.32	25.32	14.47
2008	12.54	26.20	26.20	14.97
2009	13.50	28.72	28.72	16.41
2010	15.15	33.28	33.28	19.02
2011	16.06	34.65	34.65	20.10
2012	16.98	29.07	29.07	20.32
2013	18.58	30.85	30.85	22.03

Source: Assessing Department

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

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

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

Table 11

CITY OF WORCESTER, MASSACHUSETTS
Principal Taxpayers - Current Year and Nine Years Ago
June 30, 2013
(Amounts expressed in thousands)

Taxpayer	Type of business	2013				2004			
		Assessed valuation	Rank	Fiscal 2013 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2004 tax bill	Percentage of tax levy
Massachusetts Electric Company	Electric utility	\$ 278,613	1	\$ 8,595	3.62%	\$ 128,767	1	\$ 3,811	2.43%
VHS Acquisition (St Vincent Hospital)	Medical care	115,461	2	3,562	1.50	59,042	2	1,748	1.12
NSTAR	Gas utility	112,005	3	3,455	1.46	41,154	7	1,218	0.78
Verizon	Communications	61,512	4	1,898	0.80	57,164	3	1,692	1.08
V3B SA LLC (Lincoln Plaza)	Shopping plaza	61,144	5	1,866	0.79	N/A	N/A	N/A	N/A
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	53,937	6	1,664	0.70	38,429	8	1,137	0.73
440 Lincoln St Holding (Hanover/Allmerica)	Insurance	52,410	7	1,617	0.68	51,705	4	1,530	0.98
Worcester TC LLC (Abbott Bioresearch)	Biotechnology park	42,479	8	1,310	0.55	42,611	6	1,261	0.81
St. Gobain Abrasives, Inc. (Norton Company)	Abrasives manufacturer	41,945	9	1,294	0.55	N/A	N/A	N/A	N/A
TGM Plantation Ridge LLC	Apartment complex	37,625	10	1,161	0.49	N/A	N/A	N/A	N/A
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	N/A	N/A	N/A	N/A	46,380	5	1,373	0.88
Alexandria Real Estate Equities	Biotechnology park	N/A	N/A	N/A	N/A	36,138	9	1,070	0.68
Liberty Properties Corp.	Industrial park	N/A	N/A	N/A	N/A	30,627	10	907	0.58
	Totals	\$ 857,131		\$ 26,422	11.13%	\$ 532,017		\$ 15,747	11.84%

Source: Assessor's department

Table 12

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Nine 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 adjusted levy
2005	\$ 162,051	158,415	97.76%	\$ 3,636	162,051	100.00%
2006	170,372	166,275	97.60	4,097	170,372	100.00
2007	179,043	173,398	96.85	5,645	179,043	100.00
2008	188,134	182,941	97.24	5,192	188,133	100.00
2009	197,102	191,590	97.20	5,304	196,894	99.89
2010	204,990	199,535	97.34	5,386	204,921	99.97
2011	215,879	210,277	97.41	5,336	215,613	99.88
2012	224,154	220,352	98.30	3,413	223,765	99.83
2013	237,305	230,540	97.15	-	230,540	97.15

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

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental activities		Business-type activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note			
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
2009	473,670	4,706	124,562	863	603,801	12.73	3,497
2010	463,085	4,608	126,287	819	594,799	12.80	3,257
2011	462,302	4,505	125,292	774	592,873	12.76	3,275
2012	455,539	4,396	123,801	1,693	585,429	11.86	3,234
2013	466,756	4,283	135,499	1,645	608,183	12.01	3,329

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

(2) Population data based on 2000 and 2010 Census

Table 14**CITY OF WORCESTER, MASSACHUSETTS**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

<u>Fiscal year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Assessed Value (1)</u>	<u>Total Per capita (2)</u>
2004	\$ 600,544	6.81%	\$ 3,422
2005	630,330	6.08	3,586
2006	592,954	5.11	3,371
2007	602,765	4.80	3,435
2008	641,271	5.04	3,654
2009	598,232	4.93	3,276
2010	589,372	5.40	3,227
2011	587,594	5.41	3,246
2012	579,340	5.14	3,189
2013	602,255	5.54	3,297

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

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

(2) Population data based on 2000 and 2010 Census

CITY OF WORCESTER, MASSACHUSETTS

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 362,434	484,731	484,731	632,729	632,729	691,359	691,359	596,415	596,415	608,682
Total net debt applicable to limit	<u>180,376</u>	<u>199,169</u>	<u>208,140</u>	<u>268,676</u>	<u>268,621</u>	<u>280,473</u>	<u>263,915</u>	<u>342,654</u>	<u>320,926</u>	<u>340,605</u>
Legal debt margin	\$ <u>182,058</u>	<u>285,562</u>	<u>276,591</u>	<u>364,053</u>	<u>364,108</u>	<u>410,886</u>	<u>427,444</u>	<u>253,761</u>	<u>275,489</u>	<u>268,077</u>
Total net debt applicable to the limit as a percentage of debt limit	49.77%	41.09%	42.94%	42.46%	42.45%	40.57%	38.17%	57.45%	53.81%	55.96%

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized valuation - real estate and personal property (January 1, 2012)	\$ <u>12,173,645</u>	
Debt limit - 5% of equalized valuation		608,682
Total bonded debt (including authorized and unissued of \$284,332)	\$ 886,587	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(421,806)	
Less bonded debt authorized but not yet issued which is outside the debt limit	<u>(124,176)</u>	<u>340,605</u>
Legal debt margin	\$	<u>268,077</u>

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

Table 16

Fiscal Year	Population	Personal Income (amounts expressed in thousands) (4)	Per Capita Personal Income (2)	Median Age (1)	Public School Enrollment (3)	Unemployment Rate (4)
2004	175,495 (1) \$	N/A	N/A	33.4	24,363	7.0%
2005	175,770 (1)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (1)	3,989,327	22,680	34.9	23,404	5.7
2007	175,454 (1)	4,216,455	24,032	33.0	23,682	6.3
2008	175,521 (1)	4,471,694	25,704	34.0	22,844	5.7
2009	182,596 (1)	4,742,672	27,099	35.0	23,126	9.3
2010	182,635 (1)	4,646,364	26,549	33.6	23,281	9.6
2011	181,045 (2)	4,757,752	27,185	33.4	23,490	10.0
2012	181,641 (1)	4,937,587	27,183	34.0	24,360	9.3
2013	182,669 (1)	5,064,139	27,723	34.0	24,740	9.8

- (1) Source: U.S. Department of Commerce estimates
- (2) Source: U.S. Department of Commerce, Census for fiscal year
- (3) Source: Worcester School Department as of October 1 of each fiscal year
- (4) Source: Massachusetts Department of Workforce Development

Table 17

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	189	188	197	200	201	175	176	167	175	181
Public safety										
Police										
Officers	468	456	468	465	448	438	415	409	418	426
Civilians	45	47	53	54	51	49	49	49	49	49
Fire										
Officers	429	421	410	402	403	384	385	399	413	393
Civilians	16	10	10	11	11	9	8	8	10	9
Other public safety	95	98	86	89	97	116	110	105	110	112
Health and human services	89	92	102	96	94	56	53	54	55	56
Education	3,821	3,698	3,658	3,506	3,384	3,433	3,446	3,478	3,456	3,499
Public works	182	183	189	185	189	189	174	163	158	168
Culture and recreation	132	133	133	129	135	129	125	117	115	122
Water	114	112	111	106	105	111	109	102	100	107
Sewer	58	54	54	55	54	58	59	52	50	51
Airport	16	16	18	17	16	16	17	20	—	—
Golf course (nonmajor)	2	3	3	3	2	2	2	2	2	2
Totals	<u>5,656</u>	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>	<u>5,165</u>	<u>5,128</u>	<u>5,125</u>	<u>5,111</u>	<u>5,175</u>

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

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Principal Employers

Current year and nine years ago

Employer	Type of business	2013			2004		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care	Health care	13,200	1	16.98%	7,195	1	9.09%
City of Worcester	Government and education	5,175	2	6.66	5,656	3	7.14
University of Massachusetts Medical School	Education	4,358	3	5.61	6,040	2	7.63
VHS Acquisition (St Vincent Hospital)	Health care	2,298	4	2.96	2,097	6	2.65
Reliant Medical Group	Health care	2,184	5	2.81	1,826	8	2.31
St. Gobain Abrasives, Inc.	Abrasives manufacturer	1,950	6	2.51	1,884	7	2.38
Seven Hills Foundation, Inc.	Education	1,800	7	2.32	1,609	10	2.03
Hanover Insurance Group	Insurance	1,338	8	1.72	2,305	5	2.91
College of the Holy Cross	Education	1,188	9	1.53	N/A	N/A	N/A
Quinsigamond Community College	Education	1,107	10	1.42	N/A	N/A	N/A
Fallon Community Health Plan	Health care	N/A	N/A	N/A	4,626	4	5.84
Massachusetts Electric Company	Utility	N/A	N/A	N/A	1,665	9	2.10

Sources: 2013 - Worcester Business Journal
2004 - Worcester Area Chamber of Commerce

CITY OF WORCESTER, MASSACHUSETTS

Table 19

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police (1), (3)										
Total arrests	6,482	7,014	7,853	8,581	9,360	8,658	7,584	7,174	6,785	N/A
Different individuals arrested	5,154	5,366	5,916	6,671	7,082	6,584	5,837	5,591	5,204	N/A
Arrests for selected charges										
Drug-related	1,611	1,638	2,829	2,668	2,574	2,582	844 (3)	705	719	N/A
Assault and battery	633	540	679	571	679	704	1,465 (3)	1,409	1,309	N/A
Disorderly conduct, disturbing peace	1,357	1,351	1,071	1,201	1,291	1,210	1,222	1,054	920	N/A
Prostitution and related	195	234	232	178	214	223	133	156	121	N/A
Sexual assault, including rape	23	22	33	29	41	39	38	20	28	N/A
Armed robbery	73	73	57	66	70	43	59	70	47	N/A
Murder /manslaughter, attempted murder	24	46	7	14	6	12	10	15	15	N/A
Fire (1)										
Total Incidents	22,839	21,778	22,076	22,498	24,735	29,002	27,605	27,782	28,348	N/A
Selected incidents										
EMS	16,038	15,383	14,558	15,654	15,086	18,167	20,285	19,654	20,472	N/A
Structure fires	454	417	749	681	663	828	732	728	845	N/A
Arson fires	42	31	29	28	29	37	25	30	43	N/A
Vehicle fires	206	184	184	139	132	120	96	123	102	N/A
Good intent	1,019	1,149	1,322	1,514	1,452	1,665	1,571	1,621	1,819	N/A
False alarm	1,542	1,705	3,102	2,971	3,134	3,849	2,926	3,177	2,871	N/A
Highways and streets										
Streets and resurfacing (1), (2)	16	14	14	15	15	14	11	11	16	21
Potholes repaired	15,596	7,895	13,403	11,489	13,088	12,030	14,932	12,954	9,392	9,264
Sanitation										
Refuse collected (tons/day)	107.05	104.15	102.78	100.30	91.06	88.65	82.30	81.83	81.71	79.30
Recyclable collected (tons/day)	38.71	37.70	37.20	34.77	36.07	33.97	34.71	36.1	35.42	36.4
Water										
New connections	463	454	373	271	239	188	48	95	104	97
Water main breaks	65	76	50	56	55	72	52	74	29	55
Average daily consumption (thousands of gallons)	23,932	23,595	22,681	22,187	22,960	22,264	21,225	22,099	22,539	22,110
Wastewater										
Average daily sewage treatment (thousands of gallons)	27,743	31,364	30,156	33,200	31,700	34,600	31,160	26,550	33,000	25,200

Source: Various government departments

- (1) Based on a calendar year rather than a fiscal year.
- (2) During 2004, 1.56 miles were resurfaced by the state of Massachusetts and are included in the miles resurfaced above
- (3) During 2010 the arrest categories were redefined, and no distinction was made between aggravated assault and simple assault, pursuant to Massachusetts General Law. Prior to 2010 only aggravated assault is shown.

N/A - data is not available for calendar year 2013

CITY OF WORCESTER, MASSACHUSETTS

Table 20

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	11	11	11	11	11	10	10	10	10	10
Education:										
Schools	49	49	49	45	46	46	45	46	46	46
Libraries	3	3	3	3	3	3	3	3	4	4
Public works										
Streets:										
Streets (miles)	414	414	416	418	420	423	424	425	430	431
Sidewalks (miles)	473	473	478	480	483	487	487	489	488	488
Streetlights	12,972	12,994	13,238	13,275	13,321	13,321	13,759	13,759	13,759	13,759
Water:										
Main pipes (miles) (1)	592	592	592	582	582	584	585	586	585	585
Fire hydrants (2)	5,940	5,940	5,951	5,658	5,675	5,680	5,726	5,748	5,762	5,770
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)	389	390	392	392	393	396	396	397	397	398
Combined sewers (miles)	66	65	65	65	61	61	61	61	61	61
Surface sewers (miles)	361	362	364	364	368	370	371	371	371	372
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard (3)	N/A	N/A	N/A	981	981	981	981	981	981	981
Union Station (3)	N/A	N/A	N/A	N/A	N/A	N/A	500	500	500	500
Culture and recreation										
Parks	54	54	56	60	60	60	60	60	60	60
Parks and playground acreage	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,328	1,328	1,328
DCU Center										
Seating capacities										
Center stage	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,800	14,606
End stage	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,587
Basketball	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,342
Hockey with open curtain	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,118
Hockey with closed curtain (3)	N/A	N/A	N/A	6,880	6,880	6,880	7,230	7,230	7,230	7,304
Ice show	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,198
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

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