

CITY OF WORCESTER

MASSACHUSETTS



MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2010

Prepared by:

The Office of the City Auditor
City of Worcester, Massachusetts

James A. DeSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal	1 - 5
List of Elected and Appointed Officials	6
Organization Chart – Worcester City Government	7
Certificate of Achievement	8

FINANCIAL SECTION

Independent Auditors' Report	9 - 10
Management's Discussion and Analysis – Required Supplementary Information	11 - 23

Exhibit

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	1	25
Statement of Activities	2	26 - 27

Fund Financial Statements:

Balance Sheet – Governmental Funds	3	28
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to The Statement of Net Assets	4	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	31
Statement of Net Assets – Proprietary Funds	7	32
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	8	33
Statement of Cash Flows – Proprietary Funds	9	34
Statement of Fiduciary Net Assets	10	35
Statement of Changes in Fiduciary Net Assets	11	36

Notes to the Basic Financial Statements	37 - 91
---	---------

Required Supplementary Information:

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis	92 - 100
Pension Plan and OPEB Schedules	101 - 102
Notes to Required Supplementary Information	103

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Table of Contents

	Statement/ Schedule	Page
Supplementary Statements and Schedules:		
Narrative – Nonmajor Governmental Funds, Enterprise Funds, Capital Assets and Agency Funds		104 - 105
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	106 - 111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	112 - 117
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis:		
Airport Enterprise Fund	B-1	118
Golf Course Enterprise Fund (nonmajor)	B-2	119
Sewer Enterprise Fund	B-3	120
Water Enterprise Fund	B-4	121
Capital Assets Used in the Operation of Governmental Activities:		
Comparative Schedule by Type and Source	C-1	123
Schedule by Function and Activity	C-2	124 - 125
Schedule of Changes by Function and Activity	C-3	126
Agency Fund – Schedule of Changes in Assets and Liabilities	D-1	127

STATISTICAL SECTION

	Graph/Table	
Narrative and Table of Contents:		129
Net Assets by Component – Accrual Basis of Accounting – Last Ten Fiscal Years	1	131
Changes in Net Assets – Accrual Basis of Accounting – Last Ten Fiscal Years	2	132
Governmental Activities Tax Revenues by Source – Accrual Basis of Accounting – Last Ten Fiscal Years	3	134
Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	4	135
Changes in Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	5	136
Governmental Funds Tax Revenues by Source – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	6	138
General Fund Expenditures – GAAP Basis	1	140
General Fund Expenditures – GAAP Basis – Last Ten Fiscal Years	7	141
General Fund Revenues – GAAP Basis	2	142
General Fund Revenues – GAAP Basis – Last Ten Fiscal Years	8	143
Assessed Valuation – Last Ten Fiscal Years	3	144

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Table of Contents

Graph/Table

Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	9	145
Principal Taxpayers – Current Year and Nine Years Ago	10	146
Property Tax Levies and Collections – Last Six Fiscal Years	11	147
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	12	148
Ratio of Governmental Funds General Bonded Debt Outstanding – Last Ten Fiscal Years	13	149
Legal Debt Margin – Last Ten Fiscal Years	14	150
Demographic and Economic Statistics – Last Ten Fiscal Years	15	151
Full Time Employees – Last Ten Fiscal Years	16	152
Principal Employers – Current Year and Nine Years Ago	17	153
Operating Indicators by Function – Last Ten Fiscal/Calendar Years	18	154
Capital Asset Statistics by Function – Last Ten Fiscal Years	19	155

INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeSIGNORE

CITY AUDITOR

THOMAS J. CLAWSON

DEPUTY CITY AUDITOR

October 29, 2010

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, 2010 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, 2010 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, 2010. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

City of Worcester Government

Worcester was incorporated as a town on June 14, 1722 and as a city on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the second largest city in New England with a population of 182,635, according to a recent Federal estimate. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City.

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

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

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

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

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

All department operating and capital budget requests are required to be submitted to the City Manager by mid-January. The City Manager then reviews these requests with every department head during a series of meetings. In accordance with MGL Chapter 44, the City Manager must then submit his proposed budget within 170 days after the City Council organizes in early January. The Council is required to hold public hearings and to adopt a final budget no later than 45 days after the budget is submitted to them. Budgetary control is centralized and enforced on a statutory account basis. Statutory accounts are maintained on a departmental level and consist of salary, capital and ordinary maintenance accounts. Purchase requisitions 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 reservations of fund balances. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 92 through 100 as part of required supplementary information.

Local economy

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

Worcester has ten colleges and universities, most of which have been continually expanding. For example, the University of Massachusetts Medical School is constructing a \$405 million 500,000 square foot science and research facility on its campus. Worcester Polytechnic Institute is constructing a \$53 million recreation center on its campus. Also, the college of the Holy Cross is constructing a \$60 million science center and a \$20 million residence hall.

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

Factors Affecting Financial Condition

There were three major events that will affect the City's financial condition for many years to come. First CSX has agreed to construct their New England distribution headquarters in Worcester at a cost of \$100 million. This will not only boost the local economy with additional jobs but it will help clear the way for additional commuter trains between Worcester and Boston.

Also, on July 1, 2010 the Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) for approximately \$15 million. This agreement will not only relieve the City from owning and servicing the airport but it will also be relieved from providing an approximate \$1.2 million annual operating subsidy. Massport had been operating and subsidizing part of the airport deficit since 2000 before the sale. The City will retain ownership of lots in the Airport Industrial Park and will now be able to market those lots for sale.

Finally, after several years of delays, construction has started on the CitySquare project. About half of the 20 acre site was purchased by a new developer and demolition is currently taking place on all of that area except for part of an existing garage that will remain as a smaller facility with 860 spaces. 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. After demolition is completed a 214,000 square foot \$110 million office building will be constructed to house the Unum Group. Discussions are continuing with several other potential developers to fill out the site with diverse projects. 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. In fiscal 2010, the City expended \$5.23 million on the project and has expended \$13.22 million to date. It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

In November of 2006 the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund construction of a new North High School along with various other projects. Funding is to come from approximately \$30 million in retroactive school construction aid to the City from the state that will be paid over a 10-year period. Additionally, the City will be dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation.

Worcester's total assessed property value had increased steadily from fiscal 1996 through fiscal 2008 when values rose to an all time high of \$12.727 billion. The streak of increases stopped in fiscal 2009 and property values fell further in fiscal 2010 to \$10.912 billion or 10.1% from the previous year's value.

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, 2009. 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 seventeen 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. Finally, I would like to acknowledge Deputy City Auditor Thomas Clawson who was an extremely valuable employee for several years and has recently retired.

Respectfully submitted,

A handwritten signature in black ink, reading "James A. DelSignore". The signature is written in a cursive style with a large, sweeping initial "J".

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2010

Council – Manager Form of Government

CITY COUNCIL

Joseph C. O'Brien, Mayor

Councilors-at-Large

Michael J. Germain
Konstantina B. Lukes
Joseph M. Petty
Frederick C. Rushton
Kathleen M. Toomey

District Councilors

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

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

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

Michael T. Hennessy
Kim Laino

Chief Accountant
Systems Accountant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

PURCHASING AGENT

John C. Orrell

ASSESSOR

William J. Ford

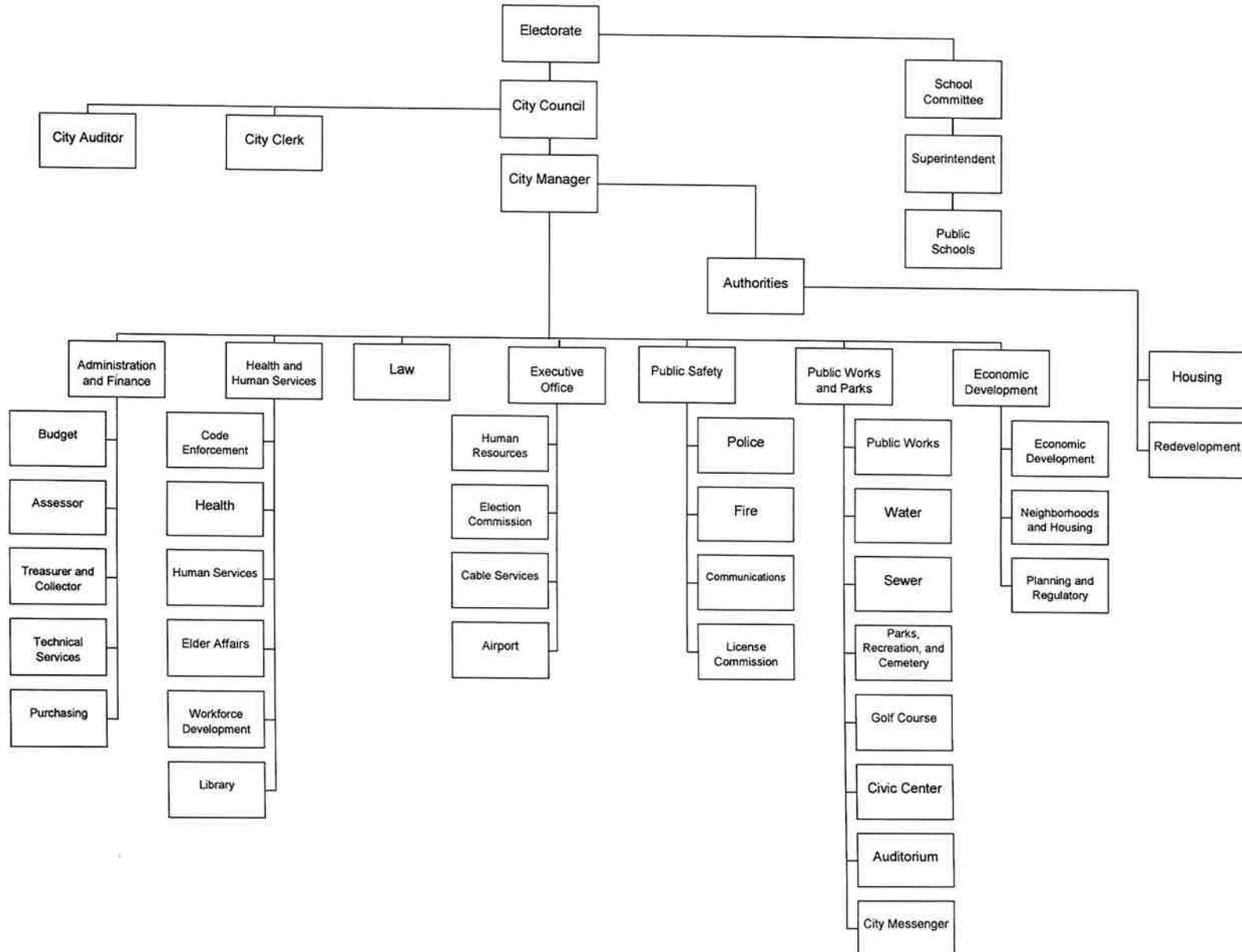
DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

ACTING TREASURER & COLLECTOR

Thomas F. Zidelis

WORCESTER CITY GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worcester
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



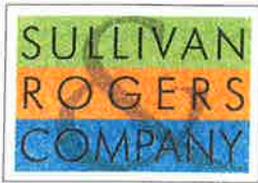
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

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

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2010 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2009), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Upper Blackstone Water Pollution Abatement District were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

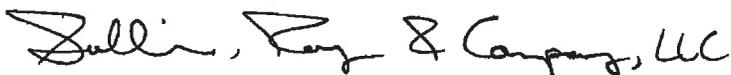
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010 (except for the Worcester Contributory Retirement System, which is as of December 31, 2009) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 18, the Worcester Redevelopment Authority (Authority), a discretely presented component unit, has restated beginning net assets. We have audited the adjustments as described in Note 18 that were applied to restate the Authority's fiscal year 2009 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 11 through 23) and budgetary comparison, pension and other postemployment benefits information (located on pages 92 through 103) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



October 29, 2010

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(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, 2010 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities (net assets) at the close of fiscal 2010 by \$186,721.
- The City's total net assets decreased by \$13,080 or 6.5% during the year.
- At the end of fiscal 2010, unreserved fund balance for the general fund was \$12,029 or 2.2% of total general fund revenues.
- "Free Cash", certified by the State's Department of Revenue as of July 1, 2010 was \$1,047. This amount is unreserved in the general fund and available for appropriation in fiscal 2011.
- The City's total capital assets increased by \$36,298 or 5.0% during fiscal 2010.
- The City's total debt decreased by \$9,002 or 1.5% during fiscal 2010.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net assets changed during fiscal 2010. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

- **Governmental activities** – Governmental activities of the City such as general government, public works, public safety, public roads, sanitation, education, health, recreation, and culture are reported here. Property taxes, state aid, and local fees and charges finance most of these activities.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

- **Business-type activities** – The City charges fees to users to help it cover costs of certain services it provides. The City's water, sewer, airport and golf course (nonmajor) operations are included here.
- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 25 through 27 of this report.

Fund Financial Statements

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

Governmental funds – Similar to the 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 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the CitySquare fund, the stabilization fund and the school grants fund, each of which are considered major funds. Data from the 28 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

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

The governmental funds financial statements can be found on pages 28 through 31.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

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

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

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

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

The fiduciary fund financial statements can be found on pages 35 and 36.

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

The notes to the basic financial statements can be found on pages 37 through 91.

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 92 through 103.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$186,721 at the close of the most recent fiscal year, summarized as follows:

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

	Net assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 280,931	283,147	32,253	33,074	313,184	316,221
Capital assets	515,289	482,826	248,231	244,397	763,520	727,223
Total assets	<u>796,220</u>	<u>765,973</u>	<u>280,484</u>	<u>277,471</u>	<u>1,076,704</u>	<u>1,043,444</u>
Long-term liabilities	626,154	603,934	133,311	130,092	759,465	734,026
Other liabilities	112,313	93,745	18,205	15,873	130,518	109,618
Total liabilities	<u>738,467</u>	<u>697,679</u>	<u>151,516</u>	<u>145,965</u>	<u>889,983</u>	<u>843,644</u>
Net assets:						
Invested in capital assets, net of related debt	236,864	201,247	120,990	121,480	357,854	322,727
Restricted	29,804	42,371	-	-	29,804	42,371
Unrestricted	<u>(208,915)</u>	<u>(175,323)</u>	<u>7,978</u>	<u>10,026</u>	<u>(200,937)</u>	<u>(165,297)</u>
Total net assets	<u>\$ 57,753</u>	<u>68,295</u>	<u>128,968</u>	<u>131,506</u>	<u>186,721</u>	<u>199,801</u>

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

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net assets shows a balance of (\$200,937). However, this balance includes outstanding pension obligation bonds of \$167,954 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 \$19,947 and \$2,091, respectively, at year's end. Additionally, the City has a note payable of \$4,608 for improvement to neighborhood assets it does not own and bonds of \$12,430 for the CitySquare project and also owes \$892 for the Blackstone Valley Visitors Center, which was destroyed by fire. There was also \$12,391 of unspent capital debt at the end of the year. Absent the fore mentioned debt, there is \$19,376 of unrestricted net assets.

At the end of fiscal 2010, the City is able to report positive balances in two categories of net assets for business-type activities and all but unrestricted net assets in the governmental activities.

The City's governmental activities restricted net assets decreased by \$12,567 as balances restricted for renewal and replacement decreased by \$3,433 as projects such as DCU construction used bond anticipation notes to finance the project as did the school construction in addition to state grants. CitySquare construction increased because bond issuance exceeded expenditures. State and Federal grants balances decreased by \$10,238 and permanent fund balances were increased by \$1,104 because of investment gains and donations exceeding expenses.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

The City's total net assets decreased by \$13,080, or 6.5%, summarized as follows:

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 32,949	30,274	55,351	55,842	88,300	86,116
Operating grants and contributions	348,563	345,103	1,413	1,395	349,976	346,498
Capital grants and contributions	28,084	23,187	3,514	14,821	31,598	38,008
General revenues:						
Property taxes	205,558	197,472	-	-	205,558	197,472
Motor vehicle excise taxes	11,050	11,393	-	-	11,050	11,393
Intergovernmental	37,476	48,493	-	-	37,476	48,493
Other	9,505	6,269	-	-	9,505	6,269
Total revenues	<u>673,185</u>	<u>662,191</u>	<u>60,278</u>	<u>72,058</u>	<u>733,463</u>	<u>734,249</u>
Expenses:						
General government	20,862	23,416	-	-	20,862	23,416
Public safety	126,546	130,554	-	-	126,546	130,554
Health and human services	23,994	21,229	-	-	23,994	21,229
Education	425,765	421,160	-	-	425,765	421,160
Libraries	8,384	9,015	-	-	8,384	9,015
Public works	33,387	41,457	-	-	33,387	41,457
Culture and recreation	11,634	7,460	-	-	11,634	7,460
Community development	6,118	4,942	-	-	6,118	4,942
Interest on long-term debt	25,351	24,534	-	-	25,351	24,534
Water	-	-	25,638	25,669	25,638	25,669
Sewer	-	-	32,742	31,134	32,742	31,134
Airport	-	-	5,047	5,082	5,047	5,082
Golf course	-	-	1,122	1,148	1,122	1,148
Total expenses	<u>682,041</u>	<u>683,767</u>	<u>64,549</u>	<u>63,033</u>	<u>746,590</u>	<u>746,800</u>
Change in net assets before transfers, contributions and gain on sale of capital assets	(8,856)	(21,576)	(4,271)	9,025	(13,127)	(12,551)
Transfers	(1,733)	96	1,733	(96)	-	-
Gain on sale of capital assets	-	296	-	-	-	296
Contributions	47	58	-	-	47	58
Change in net assets	(10,542)	(21,126)	(2,538)	8,929	(13,080)	(12,197)
Net assets – beginning	68,295	89,421	131,506	122,577	199,801	211,998
Net assets – ending	<u>\$ 57,753</u>	<u>68,295</u>	<u>128,968</u>	<u>131,506</u>	<u>186,721</u>	<u>199,801</u>

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

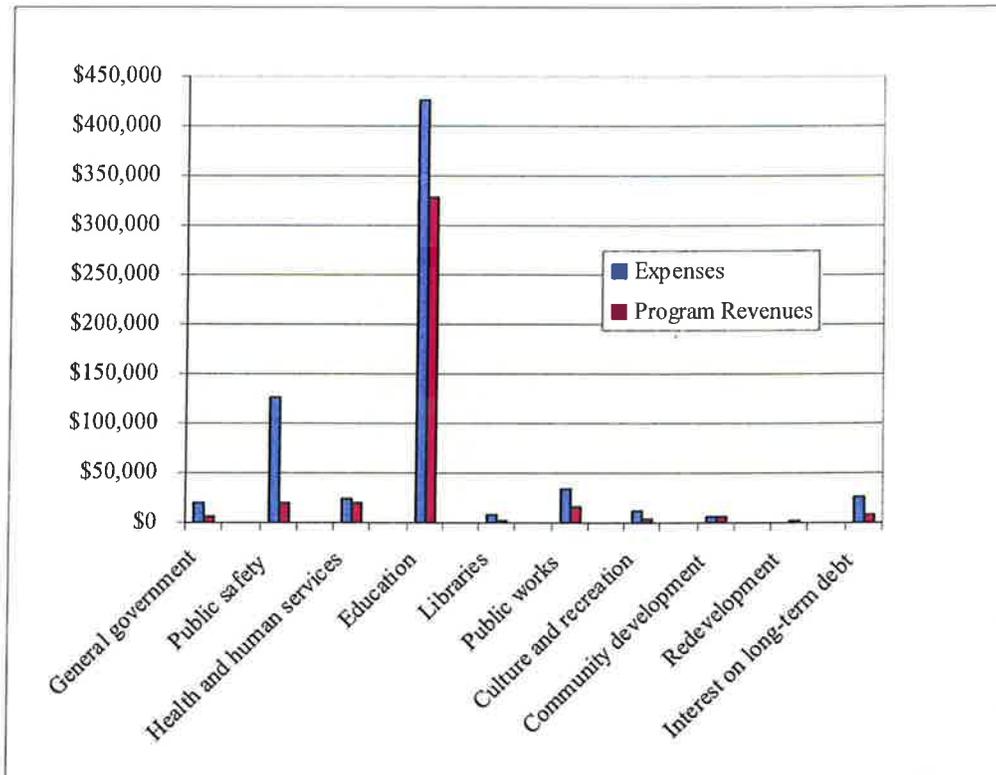
(In thousands of dollars)

Governmental activities – Governmental activities decreased the City's net assets by \$10,542. The key elements of this decrease are as follows:

Total revenues were \$673,185, which was a \$10,994 or 1.7% increase from the previous fiscal year. General revenues increased by \$15 as property tax revenue increased by \$8,086 or 4.1%, primarily because of an increase in taxes assessed, but unrestricted state aid decreased by \$11,017 or 22.7%. Operating grants and contributions were relatively flat increasing by \$3,460 or 1.0% and capital grants and contributions increased by \$4,897 or 21.1% as state reimbursements for the construction on North High School commenced.

Total expenses were \$682,041, which was a \$1,726 or 0.3% decrease from the previous fiscal year. In general expenses were lowered by budget cutbacks but fringe benefit costs increased. Public works expenses decreased by \$8,070 or 19.47%, mainly because of decreased snow removal and personnel costs. Educational expenses increased by \$4,605 or 1.1% primarily because of increased fringe benefit costs. Culture and recreation increased by \$4,174 or 56.0% due in large part to non capital improvements and a large increase in workers' compensation charges.

FY 2010 Expenses and Program Revenues– Governmental Activities



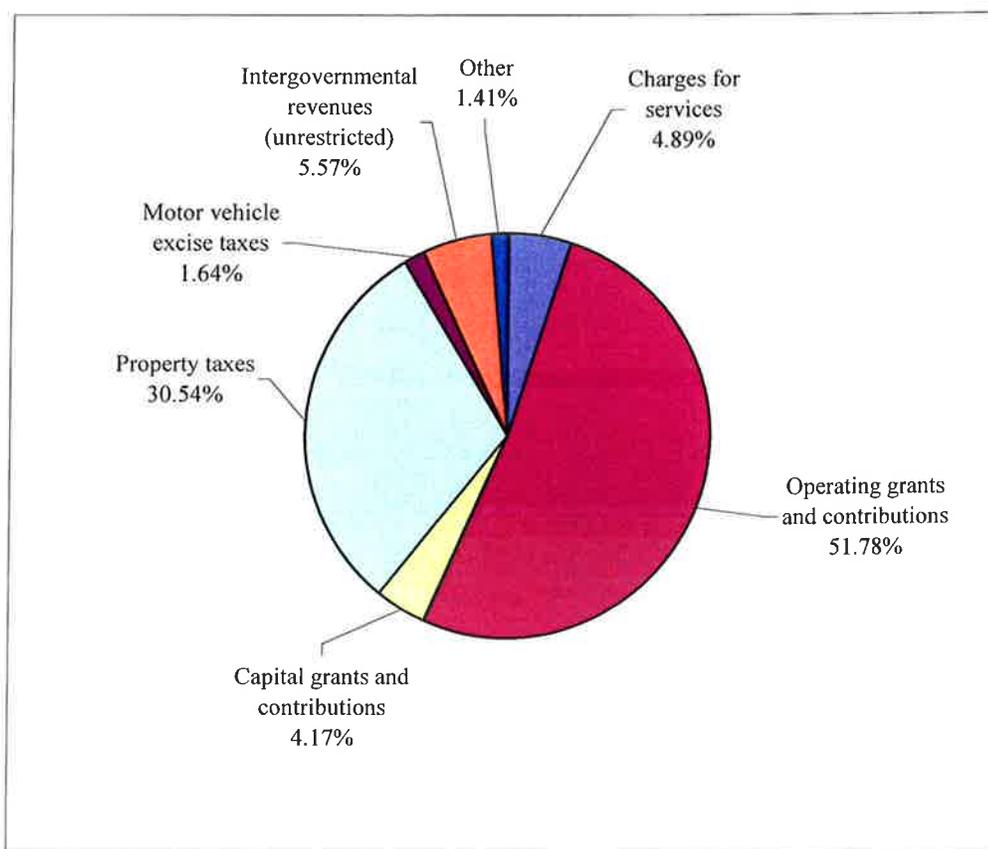
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

FY 2010 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net assets by \$2,538. Factors contributing to these results are as follows:

- The water fund had operating income of \$1,859 and had a decrease in net assets of \$1,204. This follows the previous year's \$618 increase in net assets with an operating income of \$2,855.
- The sewer fund had an operating loss of \$1,335 compared with a loss of \$127 in the previous year. Net assets decreased by \$3,001, which follows the previous year's \$24 increase.
- The airport fund had an operating loss of \$3,925 that was partially offset by \$2,596 of subsidies from Massport and the City. Net assets increased by \$1,649 primarily because of asset additions funded by capital grants.
- The golf course fund (nonmajor) had an operating loss of \$68. Net assets increased by \$17 because budgetary basis transfers in were in excess of the accrual basis operating deficit and interest expense.

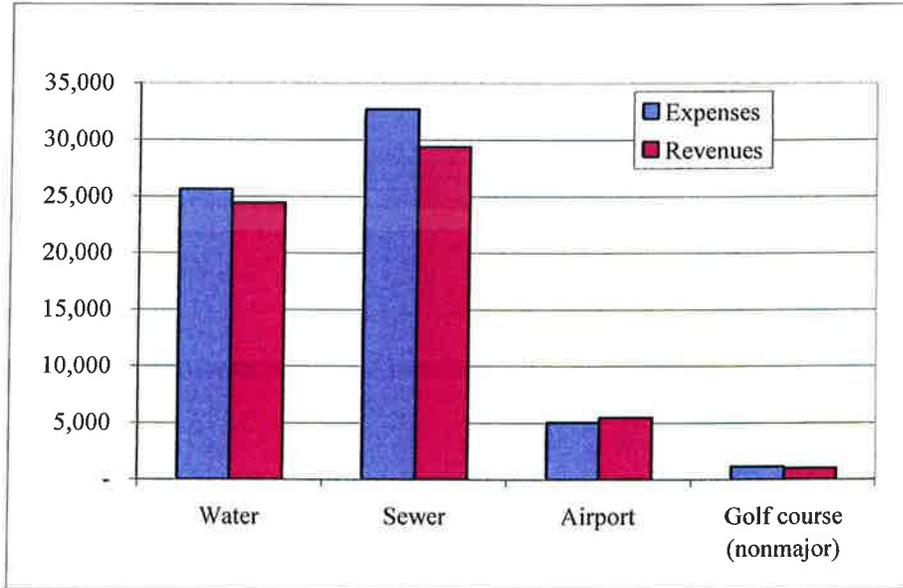
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

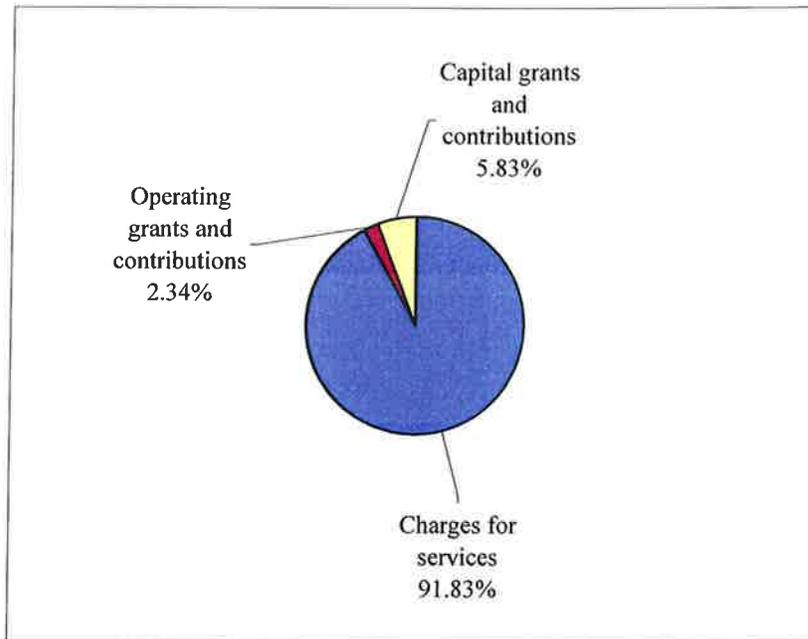
June 30, 2010

(In thousands of dollars)

FY 2010 Expenses and Program Revenues – Business-type Activities



FY 2010 Revenues by Source – Business-type Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

Financial Analysis of the City's Funds

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

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

At the end of fiscal 2010, the City's governmental funds reported combined ending fund balances of \$59,931 a decrease of \$6,521 from fiscal 2009. Exclusive of the nonmajor capital projects funds deficit, 68.6% of fund balance or \$54,560 is available for spending at the City's discretion (unreserved fund balance). The nonmajor capital projects funds deficit of \$19,592 will be funded in future fiscal years through bond proceeds, state and Federal grants and other available funds. The remaining \$24,963 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for nonexpendable permanent funds \$12,038; and 2) for state and Federal grants \$12,925.

The general fund is the chief operating fund of the City. At the end of fiscal 2010 unreserved fund balance of the general fund was \$12,029 or 2.2% of total general fund revenues. During fiscal 2010 the City's general fund balance increased by \$5,923. Total revenues exceeded expenditures by \$14,223, while transfers out exceeded transfers in by \$8,809. The general fund also received a premium on the issuance of bonds of \$509.

CitySquare had a fund balance of \$24,344 at the end of fiscal 2010, a \$4,843 or 24.8% increase from the previous year. During the year bonds were issued for \$8,785 and \$1,178 of intergovernmental revenue was received while there was also interest income of \$114. Project expenditures totaled \$5,234.

The stabilization fund had a fund balance of \$4,101 at the end of fiscal 2010, a \$249 or 5.7% decrease from the previous year. During the year \$1,153 in tax revenue was received and there was a \$10,442 net transfer in from the general fund. Debt service expenditures were \$11,844.

School grants had a fund balance of \$5,533 at the end of fiscal 2010, an \$8,496 or 60.6% decrease from the previous year. Intergovernmental revenue of \$52,306 was received during the year as well as \$12 in charges for services and \$530 in donations. There were transfers in of \$6 and expenditures of \$61,350.

Other governmental funds had a fund balance of \$13,924 at the end of fiscal 2010, an \$8,540 or 38.0% decrease from the previous year. The capital projects funds fund balance was decreased by \$8,305 as expenditures of \$53,764 exceeded revenues of \$26,740, net transfers in of \$1,549 and issuance of bonds of \$17,170. The special revenue fund decreased by \$1,369 as expenditures of \$57,728 and net transfers out of \$4,844 exceeded revenues of \$60,863 and other financing sources of \$340. Permanent funds increased by \$1,134 as gains and donations of \$1,426 exceeded expenditures of \$216 and transfers out of \$75.

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

Net assets of the enterprise funds at the end of fiscal 2010 totaled \$128,968. This was a \$2,539 decrease from the previous year. The water fund had a decrease of (\$1,204) as did the sewer fund of (\$3,001) while the golf course fund (nonmajor) had an increase of \$17 as did the airport fund of \$1,649. Unrestricted net assets consisted of \$2,080 in the water fund, \$6,531 in the sewer fund, (\$257) in the airport fund and (\$377) 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 \$1,260 lower than the original amount. The estimate for property taxes was increased by \$891 as additional assessments were added. Additionally, the estimate for hotel/motel tax was increased by \$165 as expectations increased and a new category for meals tax was added with expected new revenues of \$1,491. The original intergovernmental revenue estimate was decreased by \$2,131 as the state lowered the original estimate of local aid. Also estimates were lowered for motor vehicle excise (\$200), fines and forfeitures (\$437), interest income (\$450) and trash bags (\$550) before receiving final approval from the state's Department of Revenue.

The final general fund expenditure budget was \$308 lower than the original. Public safety increased by \$1,837 as fire department overtime was increased \$456 to cover a funding shortage and \$1,322 was added to the salary budget in anticipation of additional recruits. Public works was increased by \$1,954 with \$1,949 of that being used to supplement the snow removal budget and \$3,154 was added to the intergovernmental charge budget as the estimate for education assessments was increased by \$3,153. The fringe benefit budget was decreased by \$4,291 as the original estimate for municipal unemployment costs were overstated by \$1,217 as was group insurance by \$2,234 and school retirement costs by \$749. Additionally, the original school budget was reduced by \$2,402 and transferred along with the overestimated school retirement cost to cover the increased education assessment.

The general fund balance had a budgetary basis increase of \$5,240 during the year, which nearly matched the decrease in the previous year and restored it to a year end balance of \$10,548. The primary reason the City's general fund balance increased was that it was budgeted to receive \$3,444 more in revenue than it would spend; \$3,100 of which was to make up for the fiscal 2009 snow budget deficit. Revenues were \$1,159 less than budgeted. Motor vehicle excise revenue was \$1,041 less than budgeted as car sales continued to decline and investment earnings were \$645 less than the budget as interest rates continued to plummet. Other taxes and in-lieu payments were \$1,003 below the budget with the newly implemented meals tax being \$371 of that total. Revenues were bolstered by school related Medicare reimbursement, which came in at \$1,560 above the budget. The City also received \$509 in premium on loans as an unbudgeted other financing source. Budgetary reversions totaled \$2,446. General government had reversions of \$671, public safety \$1,297 and public works \$396 as the City continued to tighten its spending because of looming decreases in future local aid receipts.

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, 2010 amounted to \$763,520. 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 \$36,298 or 5.0%. Governmental activities increased by \$32,464 or 6.7% and business-type activities increased by \$3,834 or 1.6%.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

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

- Streets and sidewalks were improved with costs amounting to \$9,445.
- The CitySquare project had expenditures of \$5,234 during the year as the project has started with its first signed tenant for a new office building to be constructed and a new owner of the property to be demolished and redeveloped called CitySquare II. Total project expenditures to date have been \$13,217.
- The North High School construction project, which has been a multi-year project continued during the year with expenditures of \$21,445 and now totaling \$32,392 to date.
- Expenditures for parks improvement projects totaled \$4,733 during the year.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$18,081. Of this amount, \$9,333 were for sewer projects, \$5,366 for water projects, \$3,142 for airport projects and \$850 was spent on golf course improvements, including \$638 on the new access road. Additionally, business-type entities received \$208 in capital donations from owners of subdivisions.

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	
	2010	2009	2010	2009	2010	2009
Land	\$ 18,194	18,194	5,152	5,152	23,346	23,346
Buildings	319,579	325,909	38,443	39,344	358,022	365,253
Improvements, other than buildings	20,178	17,331	-	-	20,178	17,331
Equipment and other	2,769	2,947	403	466	3,172	3,413
Rolling equipment	5,718	5,620	3,067	2,819	8,785	8,439
Infrastructure	88,908	87,446	197,531	189,124	286,439	276,570
Construction in progress	59,943	25,378	3,635	7,492	63,578	32,870
Total	<u>\$ 515,289</u>	<u>482,825</u>	<u>248,231</u>	<u>244,397</u>	<u>763,520</u>	<u>727,222</u>

Additional information on the City's capital assets can be found in note 8 on pages 69 through 73 of this report.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(In thousands of dollars)

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$594,799, a decrease of \$9,002 or 1.5% 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 463,085	473,670	126,287	124,562	589,372	598,232
Notes payable	4,608	4,706	819	863	5,427	5,569
Total	\$ 467,693	478,376	127,106	125,425	594,799	603,801

On August 28, 2009, the City issued \$2,345 of general obligation airport refunding bonds. Also, on November 1, 2009 the City issued \$38,095 of general obligation bonds. The proceeds consisted of \$25,955 for governmental activities and \$12,140 for business-type activities.

In relation to the above debt the City maintained credit ratings of A3 from Moody's Investors Service, A- from Standard and Poors and A from Fitch Ratings. These ratings have since been recalibrated by Moody's to A1 and by Fitch to AA-. Standard and Poors did not recalibrate.

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 75 of this report.

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 9.6% at June 30, 2010, compared with a 9.3% rate that existed a year earlier. This compares with June 30, 2010 unemployment rates of 9.0% in Massachusetts and 9.5% nationally.

Worcester's downtown office space of 4.15 million square feet was 81.2% occupied, according to a recent study done by the Worcester Regional Research Bureau. This was a decrease from the 81.8% that was occupied in the previous year based on 4.46 million square feet. Property values fell for the second consecutive year from \$12,137 in fiscal 2009 to \$10,912, or 10.1%, in fiscal 2010.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(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.

(THIS PAGE LEFT BLANK INTENTIONALLY)



Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2010

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	\$ 93,327,870	1,956,617	95,284,487	112,693	6,017,644
Restricted cash and cash equivalents	58,141,258	12,661,006	70,802,264	30,849	-
Restricted investments	11,482,312	-	11,482,312	-	4,144,915
Receivables (net):					
Property taxes	3,743,709	-	3,743,709	-	-
Tax and utility liens	5,241,525	1,766,603	7,008,128	-	-
Motor vehicle excise taxes	2,111,671	-	2,111,671	-	-
Charges for services	-	14,784,279	14,784,279	-	626,199
Special assessments	2,054,567	362,133	2,416,700	-	-
Departmental	2,099,011	-	2,099,011	-	-
Intergovernmental	101,122,593	1,097,821	102,220,414	14,371	983,632
Internal balances	375,199	(375,199)	-	-	-
Other	1,231,721	-	1,231,721	-	1,284,384
Other assets	-	-	-	2,679	-
Capital assets, not being depreciated	78,137,172	8,787,019	86,924,191	1,361,860	7,567,225
Capital assets, net of accumulated depreciation	437,151,669	239,443,676	676,595,345	31,221,603	170,497,385
Total assets	796,220,277	280,483,955	1,076,704,232	32,744,055	191,121,384
Liabilities:					
Accounts payable	56,747,129	3,124,210	59,871,339	102,379	1,339,774
Accrued liabilities	16,769,757	1,750,408	18,520,165	671,748	2,048,406
Retainage payable	2,306,758	525,579	2,832,337	-	-
Other liabilities	5,045,195	-	5,045,195	30,746	398,040
Temporary notes payable	31,444,500	12,805,000	44,249,500	-	22,864,116
Noncurrent liabilities:					
Due within one year	49,783,798	12,366,058	62,149,856	5,406,239	5,060,901
Due in more than one year	576,369,932	120,945,174	697,315,106	794,136	133,750,057
Total liabilities	738,467,069	151,516,429	889,983,498	7,005,248	165,461,294
Net assets:					
Invested in capital assets, net of related debt	236,864,456	120,989,864	357,854,320	29,267,491	19,416,644
Restricted for:					
Nonexpendable permanent funds	12,037,853	-	12,037,853	-	-
Expendable permanent funds	89,126	-	89,126	-	-
Renewal and replacement	4,751,915	-	4,751,915	-	-
State and Federal grants	12,925,110	-	12,925,110	-	-
Unrestricted	(208,915,252)	7,977,662	(200,937,590)	(3,528,684)	6,243,446
Total net assets	\$ 57,753,208	128,967,526	186,720,734	25,738,807	25,660,090

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2010

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	\$ 20,862,345	3,802,539	2,379,309	-	(14,680,497)
Public safety	126,546,171	13,536,274	5,616,365	-	(107,393,532)
Health and human services	23,994,242	385,262	20,464,972	-	(3,144,008)
Education	425,764,570	2,282,621	303,766,165	21,746,824	(97,968,960)
Libraries	8,384,407	53,691	1,174,490	-	(7,156,226)
Public works	33,386,604	10,970,011	579,259	4,617,115	(17,220,219)
Culture and recreation	11,634,594	1,918,622	269,635	1,720,540	(7,725,797)
Community development	6,117,714	-	5,738,827	-	(378,887)
Redevelopment	-	-	1,446,000	-	1,446,000
Interest on debt	25,350,681	-	7,127,749	-	(18,222,932)
Total governmental activities	<u>682,041,328</u>	<u>32,949,020</u>	<u>348,562,771</u>	<u>28,084,479</u>	<u>(272,445,058)</u>
Business-type activities:					
Water	25,637,799	24,102,206	-	325,963	(1,209,630)
Sewer	32,741,623	29,246,682	-	145,000	(3,349,941)
Airport	5,047,623	1,014,915	1,412,840	3,042,912	423,044
Golf course (nonmajor)	1,121,911	986,994	-	-	(134,917)
Total business-type activities	<u>64,548,956</u>	<u>55,350,797</u>	<u>1,412,840</u>	<u>3,513,875</u>	<u>(4,271,444)</u>
Total primary government	<u>\$ 746,590,284</u>	<u>88,299,817</u>	<u>349,975,611</u>	<u>31,598,354</u>	<u>(276,716,502)</u>
Component units:					
Worcester Redevelopment Authority	\$ 2,125,491	438,092	-	-	(1,687,399)
Upper Blackstone Water Pollution Abatement District	18,099,079	17,777,968	-	3,624,627	3,303,516
Total component units	<u>\$ 20,224,570</u>	<u>18,216,060</u>	<u>-</u>	<u>3,624,627</u>	<u>1,616,117</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Changes in net assets:					
Net (expense) revenue (from previous page)	<u>\$ (272,445,058)</u>	<u>(4,271,444)</u>	<u>(276,716,502)</u>	<u>(1,687,399)</u>	<u>3,303,516</u>
General revenues:					
Property taxes	205,557,919	-	205,557,919	-	-
Motor vehicle excise taxes	11,050,269	-	11,050,269	-	-
Other taxes and in-lieu payments	4,028,128	-	4,028,128	-	-
Penalties and interest on taxes	2,271,930	-	2,271,930	-	-
Intergovernmental revenues (unrestricted)	37,475,625	-	37,475,625	-	-
Investment earnings	1,598,273	-	1,598,273	2,499	345,387
Miscellaneous	1,607,121	-	1,607,121	-	-
Transfers (net)	<u>(1,732,570)</u>	<u>1,732,570</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers (net)	261,856,695	1,732,570	263,589,265	2,499	345,387
Contributions to permanent funds	<u>46,780</u>	<u>-</u>	<u>46,780</u>	<u>-</u>	<u>-</u>
Sub-total	<u>261,903,475</u>	<u>1,732,570</u>	<u>263,636,045</u>	<u>2,499</u>	<u>345,387</u>
Change in net assets	(10,541,583)	(2,538,874)	(13,080,457)	(1,684,900)	3,648,903
Net assets - beginning (as restated)	<u>68,294,791</u>	<u>131,506,400</u>	<u>199,801,191</u>	<u>27,423,707</u>	<u>22,011,187</u>
Net assets - ending	<u>\$ 57,753,208</u>	<u>128,967,526</u>	<u>186,720,734</u>	<u>25,738,807</u>	<u>25,660,090</u>

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet
Governmental Funds
June 30, 2010

Assets:	General	CitySquare	Stabilization	School Grants	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ 56,196,770	-	4,100,797	-	16,127,068	76,424,635
Restricted cash and cash equivalents	-	28,320,470	-	6,697,039	23,123,749	58,141,258
Restricted investments	-	-	-	-	11,482,312	11,482,312
Receivables (net of allowance for uncollectibles of \$9,212,698)	15,250,483	-	-	-	577,336	15,827,819
Due from other funds	375,199	-	-	-	-	375,199
Due from other governments	98,834,392	296,145	-	-	1,992,056	101,122,593
Total assets	\$ 170,656,844	28,616,615	4,100,797	6,697,039	53,302,521	263,373,816
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 44,612,574	909,227	-	1,164,127	6,582,066	53,267,994
Retainage payable	-	168,576	-	-	2,138,182	2,306,758
Due to internal service fund	339,677	-	-	-	-	339,677
Temporary loans	-	3,195,000	-	-	28,249,500	31,444,500
Deferred revenue	110,461,404	-	-	-	577,336	111,038,740
Other liabilities	3,213,965	-	-	-	1,831,230	5,045,195
Total liabilities	158,627,620	4,272,803	-	1,164,127	39,378,314	203,442,864
Fund balances:						
Reserved for:						
Nonexpendable permanent funds	-	-	-	-	12,037,853	12,037,853
State and Federal grants	-	-	-	5,532,912	7,392,198	12,925,110
Unreserved, reported in:						
General fund	12,029,224	-	-	-	-	12,029,224
Special revenue funds	-	-	4,100,797	-	13,996,927	18,097,724
Capital projects funds	-	24,343,812	-	-	(19,591,897)	4,751,915
Expendable permanent funds	-	-	-	-	89,126	89,126
Total fund balances	12,029,224	24,343,812	4,100,797	5,532,912	13,924,207	59,930,952
Total liabilities and fund balances	\$ 170,656,844	28,616,615	4,100,797	6,697,039	53,302,521	263,373,816

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 June 30, 2010

Total governmental fund balances (Exhibit 3)	\$ 59,930,952
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	515,288,841
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	111,038,740
An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	8,991,316
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(11,342,911)
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	(471,072,896)
OPEB	(124,514,496)
Judgments and claims	(14,812,163)
Compensated absences	(12,786,832)
Landfill closure costs	<u>(2,967,343)</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 57,753,208</u></u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year ended June 30, 2010

	General	CitySquare	Stabilization	School Grants	Other governmental funds	Total governmental funds
Revenues:						
Property taxes	\$ 204,831,764	-	-	-	-	204,831,764
Motor vehicle excise taxes	11,550,475	-	-	-	-	11,550,475
Other taxes and in-lieu payments	3,208,082	-	1,152,572	-	-	4,360,654
Penalties and interest on taxes	2,271,930	-	-	-	-	2,271,930
Licenses and permits	4,890,145	-	-	-	-	4,890,145
Intergovernmental	303,511,593	1,178,180	-	52,305,735	67,390,908	424,386,416
Charges for services	5,909,128	-	-	11,622	16,926,673	22,847,423
Fines and forfeitures	3,190,030	-	-	-	-	3,190,030
Investment earnings	104,648	114,054	-	-	1,378,892	1,597,594
Donations	-	-	-	530,058	3,103,239	3,633,297
Contributions to permanent funds	-	-	-	-	46,780	46,780
Miscellaneous	1,438,083	-	-	-	182,952	1,621,035
Total revenues	<u>540,905,878</u>	<u>1,292,234</u>	<u>1,152,572</u>	<u>52,847,415</u>	<u>89,029,444</u>	<u>685,227,543</u>
Expenditures:						
Current:						
General government	12,749,583	-	-	-	2,558,419	15,308,002
Public safety	76,688,728	-	-	-	12,618,884	89,307,612
Health and human services	574,663	-	-	-	20,543,069	21,117,732
Education	198,001,428	-	-	61,349,757	38,350,286	297,701,471
Libraries	4,552,427	-	-	-	1,058,750	5,611,177
Public works	18,096,297	5,234,694	-	-	15,790,891	39,121,882
Culture and recreation	3,403,092	-	-	-	11,903,821	15,306,913
Fringe benefits	138,898,855	-	-	-	-	138,898,855
Community development	-	-	-	-	6,117,714	6,117,714
State and regional charges	26,864,561	-	-	-	-	26,864,561
Debt service:						
Principal	28,233,345	-	6,942,778	-	1,460,991	36,637,114
Interest	18,619,436	-	4,901,358	-	1,306,106	24,826,900
Total expenditures	<u>526,682,415</u>	<u>5,234,694</u>	<u>11,844,136</u>	<u>61,349,757</u>	<u>111,708,931</u>	<u>716,819,933</u>
Excess (deficiency) of revenues over expenditures	<u>14,223,463</u>	<u>(3,942,460)</u>	<u>(10,691,564)</u>	<u>(8,502,342)</u>	<u>(22,679,487)</u>	<u>(31,592,390)</u>
Other financing sources (uses):						
Transfers in	5,278,417	-	10,692,154	5,839	5,977,511	21,953,921
Transfers out	(14,088,290)	-	(250,000)	-	(9,348,201)	(23,686,491)
Premium on issuance of bonds	508,979	-	-	-	311,186	820,165
Issuance of bonds	-	8,785,000	-	-	17,170,000	25,955,000
Sale of capital assets	-	-	-	-	29,186	29,186
Total other financing sources (uses)	<u>(8,300,894)</u>	<u>8,785,000</u>	<u>10,442,154</u>	<u>5,839</u>	<u>14,139,682</u>	<u>25,071,781</u>
Net change in fund balances	5,922,569	4,842,540	(249,410)	(8,496,503)	(8,539,805)	(6,520,609)
Fund balances – beginning (as restated)	6,106,655	19,501,272	4,350,207	14,029,415	22,464,012	66,451,561
Fund balances – ending	<u>\$ 12,029,224</u>	<u>24,343,812</u>	<u>4,100,797</u>	<u>5,532,912</u>	<u>13,924,207</u>	<u>59,930,952</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (6,520,609)
<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	57,327,186
Capital donations	166,600
Depreciation	(25,030,414)
<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>	
	(12,191,014)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period:</p>	
Issuance of bonds	(25,955,000)
Bond maturities	36,637,114
Amortization of bond premiums	(84,411)
<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>	
	(1,259,535)
<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>	
	(813,820)
<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	(31,904,686)
Judgments and claims	(1,516,277)
Compensating absences	96,479
Landfill closure costs	48,734
Public School early retirement costs	458,070
	458,070
Change in net assets of governmental activities (Exhibit 2)	\$ (10,541,583)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Business-type activities				Totals	Governmental activities Internal Service Fund
	Major			Nonmajor		
	Water	Sewer	Airport	Golf Course		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 1,043,102	869,541	-	43,974	1,956,617	16,903,235
Restricted cash and cash equivalents	5,414,235	6,741,624	39,740	465,407	12,661,006	-
Receivables (net)	6,838,711	10,074,304	1,097,821	-	18,010,836	654,385
Due from general fund	-	-	-	-	-	339,677
Total current assets	<u>13,296,048</u>	<u>17,685,469</u>	<u>1,137,561</u>	<u>509,381</u>	<u>32,628,459</u>	<u>17,897,297</u>
Noncurrent assets:						
Capital assets:						
Land	4,929,000	116,500	106,400	-	5,151,900	-
Buildings	39,819,126	3,939,461	17,376,587	965,493	62,100,667	-
Infrastructure	135,631,352	153,142,985	37,333,739	1,462,135	327,570,211	-
Construction in progress	332,648	3,174,407	94,574	33,490	3,635,119	-
Equipment and other	254,955	318,065	432,610	-	1,005,630	-
Rolling equipment	2,254,718	4,773,228	770,377	-	7,798,323	-
Less accumulated depreciation	(66,309,119)	(69,481,092)	(22,629,034)	(611,910)	(159,031,155)	-
Capital assets, net	<u>116,912,680</u>	<u>95,983,554</u>	<u>33,485,253</u>	<u>1,849,208</u>	<u>248,230,695</u>	<u>-</u>
Total assets	<u>130,208,728</u>	<u>113,669,023</u>	<u>34,622,814</u>	<u>2,358,589</u>	<u>280,859,154</u>	<u>17,897,297</u>
Liabilities:						
Current liabilities:						
Accounts payable	858,139	1,750,192	240,972	274,907	3,124,210	3,479,135
Due to general fund	-	-	375,199	-	375,199	-
Accrued liabilities	1,054,526	658,670	19,637	17,575	1,750,408	5,426,846
Retainage payable	86,835	310,680	94,574	33,490	525,579	-
Judgments and claims	189,881	79,710	94,780	-	364,371	-
Compensated absences	391,852	201,670	57,629	8,937	660,088	-
Temporary loans	4,319,000	7,716,000	-	770,000	12,805,000	-
Other	2,202	3,360	2,807	-	8,369	-
Bonds and notes payable	7,391,883	3,284,697	510,137	146,513	11,333,230	-
Total current liabilities	<u>14,294,318</u>	<u>14,004,979</u>	<u>1,395,735</u>	<u>1,251,422</u>	<u>30,946,454</u>	<u>8,905,981</u>
Noncurrent liabilities:						
Judgments and claims	1,178,605	71,673	105,703	-	1,355,981	-
Compensated absences	123,334	37,008	1,590	4,085	166,017	-
OPEB payable	1,905,229	1,256,915	336,169	72,376	3,570,689	-
Other	11,065	43,061	25,444	-	79,570	-
Bonds and notes payable	66,238,733	45,769,868	2,516,589	1,247,727	115,772,917	-
Total noncurrent liabilities	<u>69,456,966</u>	<u>47,178,525</u>	<u>2,985,495</u>	<u>1,324,188</u>	<u>120,945,174</u>	<u>-</u>
Total liabilities	<u>83,751,284</u>	<u>61,183,504</u>	<u>4,381,230</u>	<u>2,575,610</u>	<u>151,891,628</u>	<u>8,905,981</u>
Net assets:						
Invested in capital assets, net of related debt	44,377,299	45,954,613	30,498,267	159,685	120,989,864	-
Unrestricted	2,080,145	6,530,906	(256,683)	(376,706)	7,977,662	8,991,316
Total net assets	<u>\$ 46,457,444</u>	<u>52,485,519</u>	<u>30,241,584</u>	<u>(217,021)</u>	<u>128,967,526</u>	<u>8,991,316</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Business-type activities				Totals	Governmental activities
	Major			Nonmajor		Internal Service Fund
	Water	Sewer	Airport	Golf Course		
Operating revenues:						
Charges for services	\$ 23,024,651	29,165,623	-	-	52,190,274	-
Employer contributions	-	-	-	-	-	60,384,239
Employee contributions	-	-	-	-	-	17,598,440
Fees	-	-	576,254	967,989	1,544,243	-
Miscellaneous	1,077,555	81,059	438,661	19,005	1,616,280	-
Total operating revenues	24,102,206	29,246,682	1,014,915	986,994	55,350,797	77,982,679
Operating expenses:						
Salaries and benefits	9,661,295	5,632,004	1,351,431	311,832	16,956,562	-
Benefit payments	-	-	-	-	-	78,871,499
Ordinary maintenance	5,131,272	16,547,419	1,606,682	628,198	23,913,571	-
Indirect costs	2,091,784	3,187,212	-	31,187	5,310,183	-
Depreciation	5,358,620	5,214,966	1,982,225	84,225	12,640,036	-
Total operating expenses	22,242,971	30,581,601	4,940,338	1,055,442	58,820,352	78,871,499
Operating income (loss)	1,859,235	(1,334,919)	(3,925,423)	(68,448)	(3,469,555)	(888,820)
Nonoperating revenues (expenses):						
Intergovernmental	236,713	26,000	4,455,752	-	4,718,465	-
Investment income	-	-	-	-	-	75,000
Interest expense	(3,394,828)	(2,160,022)	(107,285)	(66,469)	(5,728,604)	-
Total nonoperating revenues (expenses)	(3,158,115)	(2,134,022)	4,348,467	(66,469)	(1,010,139)	75,000
Income (loss) before capital donations and transfers	(1,298,880)	(3,468,941)	423,044	(134,917)	(4,479,694)	(813,820)
Capital donations	89,250	119,000	-	-	208,250	-
Transfers in	808,443	913,879	1,305,703	176,561	3,204,586	-
Transfers out	(803,108)	(564,982)	(79,295)	(24,631)	(1,472,016)	-
Change in net assets	(1,204,295)	(3,001,044)	1,649,452	17,013	(2,538,874)	(813,820)
Total net assets – beginning	47,661,739	55,486,563	28,592,132	(234,034)	131,506,400	9,805,136
Total net assets – ending	\$ 46,457,444	52,485,519	30,241,584	(217,021)	128,967,526	8,991,316

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Business-type activities					Governmental activities
	Water	Major		Nonmajor Golf	Totals	Internal Service Fund
		Sewer	Airport	Course		
Cash flows from operating activities:						
Receipts from customers	\$ 24,030,681	28,756,426	1,056,853	986,994	54,830,954	77,982,679
Payments for interfund service provided	-	-	-	-	-	(75,411,200)
Payments to suppliers	(6,276,259)	(18,886,300)	(1,478,288)	(416,648)	(27,057,495)	-
Payments to employees	(9,134,878)	(5,346,805)	(1,279,490)	(288,237)	(16,049,410)	-
Net cash provided (used) by operating activities	8,619,544	4,523,321	(1,700,925)	282,109	11,724,049	2,571,479
Cash flows from noncapital financing activities:						
Payback of advances from general fund	-	-	(270,731)	-	(270,731)	-
Transfers in	808,443	913,879	1,305,703	176,561	3,204,586	-
Transfers (out)	(803,108)	(564,982)	(79,295)	(24,631)	(1,472,016)	-
Intergovernmental subsidies	236,713	26,000	4,377,615	-	4,640,328	-
Net cash provided (used) by noncapital financing activities	242,048	374,897	5,333,292	151,930	6,102,167	-
Cash flows from capital and related financing activities:						
Issuance of capital debt	10,059,000	13,566,000	-	1,320,000	24,945,000	-
Issuance of refunding bonds	-	-	2,345,000	-	2,345,000	-
Premium on issuance of refunding bonds	-	-	31,058	-	31,058	-
Acquisition and construction of capital assets	(4,126,261)	(8,038,724)	(3,055,341)	(854,331)	(16,074,657)	-
Principal paid on capital debt	(12,512,941)	(8,989,197)	(455,249)	(667,440)	(22,624,827)	-
Refunded bonds redeemed	-	-	(2,320,000)	-	(2,320,000)	-
Interest paid on capital debt	(3,471,561)	(2,140,101)	(138,095)	(67,545)	(5,817,302)	-
Net cash provided (used) by capital and related financing activities	(10,051,763)	(5,602,022)	(3,592,627)	(269,316)	(19,515,728)	-
Cash flows from investing activities:						
Investment income	-	-	-	-	-	75,000
Net increase (decrease) in cash and cash equivalents	(1,190,171)	(703,804)	39,740	164,723	(1,689,512)	2,646,479
Cash and cash equivalents at beginning of year (includes \$6,241,803, \$7,980,931 and \$314,094 reported as restricted in the Water, Sewer and Golf Course funds)	7,647,508	8,314,969	-	344,658	16,307,135	14,256,756
Cash and cash equivalents at end of year (includes \$5,414,235, \$6,741,624, \$39,740 and \$465,407 reported as restricted in the Water, Sewer, Airport and Golf Course funds)	\$ 6,457,337	7,611,165	39,740	509,381	14,617,623	16,903,235
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,859,235	(1,334,919)	(3,925,423)	(68,448)	(3,469,555)	(888,820)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	5,358,620	5,214,966	1,982,225	84,225	12,640,036	-
(Increase) decrease in accounts receivable	(71,525)	(490,256)	41,939	-	(519,842)	1,221,513
Increase in accounts payable	335,046	902,810	74,479	244,343	1,556,678	1,472,682
Increase in OPEB payable	508,605	273,336	61,510	21,652	865,103	-
Increase in accrued liabilities	-	-	-	-	-	766,104
Increase (decrease) in judgments and claims payable	633,727	(43,303)	57,732	-	648,156	-
Increase (decrease) in compensated absences payable	(4,164)	687	6,613	337	3,473	-
Total adjustments	6,760,309	5,858,240	2,224,498	350,557	15,193,604	3,460,299
Net cash provided (used) by operating activities	\$ 8,619,544	4,523,321	(1,700,925)	282,109	11,724,049	2,571,479
Noncash investing, capital and financing activities:						
Capital donations	\$ 89,250	119,000	-	-	208,250	-

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

Table of Contents

	Page
Note 1 Summary of Significant Accounting Policies	38
Note 2 Property Taxes	47
Note 3 Deposits, Investments, and Securities Lending	47
Note 4 City of Worcester Contributory Retirement System	56
Note 5 Massachusetts Teachers' Retirement System, A Noncontributing Employer Plan	60
Note 6 Other Postemployment Benefits	61
Note 7 Accounts Receivable	67
Note 8 Capital Assets	69
Note 9 Invested in Capital Assets, Net of Related Debt	73
Note 10 Operating Leases	74
Note 11 Long-Term Obligations	75
Note 12 Temporary Borrowings	83
Note 13 Interfund Receivables, Payables and Transfers	84
Note 14 Environmental Remediation – The District	86
Note 15 Risk Management	87
Note 16 Fund Deficits and Appropriation Deficits	89
Note 17 Prior Period Reclassifications	89
Note 18 Prior Period Adjustments	90
Note 19 Subsequent Events	90
Note 20 Implementation of GASB Pronouncements	91
Note 21 Future Implementation of GASB Pronouncements	91

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

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

(a) *Financial Reporting Entity*

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

Primary Government

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2010, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2009.

Blended Component Unit

WRS provides services almost entirely to the City. While legally separate, WRS is presented as if it were part of the primary government through a method of inclusion known as blending.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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, 2010

(In thousands of dollars)

Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2010 amounted to \$2,292, which represented approximately 75% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 287 Grove Street, Worcester, Massachusetts 01605.

Related Organization

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

(b) Government-Wide and Fund Financial Statements

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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

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

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

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources used for the construction of the CitySquare project.
- **Stabilization Fund** – The stabilization fund was established to reduce the impact of debt service costs on future budgets. The funding source was from the Massachusetts School Building Authority (MSBA) for construction costs related to the Vocational Technical High School and other retroactive school construction costs.
- **School Grants Fund** – The school grants fund accounts for school programs funded by grants.

The City also reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to City users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the City.
- **Airport Fund** – The airport fund is used to account for the operations of the City's municipal airport.

Additionally, the City reports the following fund types:

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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

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

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

Cash Equivalents

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

Basis of Investment Valuation

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

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

Basis of Investment Transactions

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

Property Taxes

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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

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

Inventory

The cost of supplies and other inventoriable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2010, and therefore are not reported.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2010. 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, 2010

(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 Assets Restrictions/Fund Balance Reservations

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

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

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

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

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

Securities Lending Transactions

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

Landfill Closure and Postclosure Care Costs

State and Federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2010, 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

The liability for closure and postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Expenditures related to MSWLF closure and postclosure care in fiscal 2010 were \$48.

Judgments and Claims

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

Long-Term Liabilities

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

Investment Income

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

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

Use of Estimates

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(2) Property Taxes

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

(3) 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, 2010, \$106,111 of the City's bank balance of \$145,358 was insured and collateralized with securities held by pledging financial institutions, and \$39,247 was uninsured and uncollateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Investments Summary

The City's investments at June 30, 2010, 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.....	\$ 1,419	303	566	479	71
U.S. Agencies.....	312	-	81	228	3
Corporate bonds.....	1,509	134	993	235	147
Money market mutual funds.....	707	707	-	-	-
Commercial paper.....	2,680	2,680	-	-	-
Mutual bond funds.....	1,108	1,108	-	-	-
Fixed income securities.....	874	325	549	-	-
External investment pools.....	19,479	19,479	-	-	-
Total debt securities.....	<u>28,088</u>	<u>24,736</u>	<u>2,189</u>	<u>942</u>	<u>221</u>
<u>Other Investments:</u>					
Equity securities.....	2,731				
Equity mutual funds.....	<u>774</u>				
Total other investments.....	<u>3,505</u>				
Total investments.....	<u>\$ 31,593</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, 2010

(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, 2010, 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, 2010, the credit quality ratings of the City's investment in debt securities are as follows:

Quality Ratings*	U.S. Agencies**	Corporate Bonds	Money Market Mutual Funds	Commercial Paper	Mutual Bond Funds	Fixed Income Securities	External Investment Pools	Totals
AAA..... \$	312	-	-	-	-	-	-	312
AA+.....	-	372	-	-	-	-	-	372
AA.....	-	55	-	-	-	-	-	55
AA-.....	-	54	-	-	-	-	-	54
A+.....	-	55	-	-	-	-	-	55
A.....	-	646	-	-	-	-	-	646
A-.....	-	88	-	-	-	-	-	88
BBB+.....	-	94	-	-	-	-	-	94
BBB.....	-	70	-	-	-	-	-	70
BBB-.....	-	75	-	-	-	-	-	75
Unrated....	-	-	707	2,680	1,108	874	19,479	24,848
Total..... \$	312	1,509	707	2,680	1,108	874	19,479	26,669

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(b) Deposits and Investments of the WRS

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2009, the WRS's bank balance of \$514 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2009 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.....	\$ 61,594	31,289	13,170	8,978	-8,157
U.S. Agencies.....	19,585	297	2,941	2,627	13,720
Corporate bonds.....	46,658	6,660	10,524	15,751	13,723
Money market mutual funds.....	2,337	2,337	-	-	-
Debt security mutual funds.....	37,750	30,627	409	362	6,352
Total debt securities.....	<u>167,924</u>	<u>71,210</u>	<u>27,044</u>	<u>27,718</u>	<u>41,952</u>
 <u>Other Investments:</u>					
Equity securities.....	62,207				
Equity mutual funds.....	285,034				
Real estate investments.....	62,541				
Alternative investments.....	<u>105,197</u>				
Total other investments.....	<u>514,979</u>				
Total investments.....	\$ <u>682,903</u>				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2009, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS's policies for credit risk of debt securities sets minimum average quality requirements for investment strategies employed, among other limitations. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

As of December 31, 2009, the credit quality ratings of the WRS's debt securities are as follows:

Quality Ratings *	Investment Type			Fair Value
	Corporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds	
AAA.....	\$ 222	-	2,248	2,470
AA+.....	440	-	-	440
AA.....	362	-	362	724
AA-.....	940	-	-	940
A+.....	-	-	898	898
A.....	3,699	-	241	3,940
A-.....	669	-	301	970
BBB+.....	2,755	-	657	3,412
BBB.....	3,468	-	81	3,549
BBB-.....	2,865	-	-	2,865
BB+.....	2,061	-	74	2,135
BB.....	5,194	-	97	5,291
BB-.....	3,189	-	-	3,189
B+.....	3,246	-	-	3,246
B.....	2,409	-	-	2,409
B-.....	3,792	-	83	3,875
CCC+.....	1,170	-	-	1,170
CCC.....	2,702	-	864	3,566
D.....	149	-	-	149
Unrated.....	7,326	2,337	31,844	41,507
Total.....	\$ 46,658	2,337	37,750	86,745

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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, 2009, 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.....	\$ 718	Canadian dollar
U.S. Agencies.....	684	Mexican peso
Corporate bonds.....	227	Australian dollar
U.S. Agencies.....	197	Australian dollar
Corporate bonds.....	76	Indonesian rupiah
Corporate bonds.....	<u>62</u>	Canadian dollar
 Total.....	 \$ <u><u>1,964</u></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, 2009, 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, 2010, the District’s deposits were fully insured and collateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Investments Summary

The District's investments at June 30, 2010, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 659	245	414	-
U.S. Agencies.....	2,132	355	1,776	1
Total debt securities.....	2,791	600	2,190	1
<u>Other Investments:</u>				
Equity securities.....	1,354			
Total investments.....	\$ 4,145			

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure 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 is required to custody securities in depository accounts (at a depository trust company or Federal Reserve Bank), which are not subject to the bank's creditor claims. As of June 30, 2010, none of the District's investments were subject to custodial credit risk.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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 Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2010, 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, 2010, 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, 2010, WRA's bank balance of \$154 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, 2010

(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, 2009. 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, 2009, 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, 2009 and 2008 was \$67,088 and \$66,611 and \$66,281 and \$66,105, respectively. Borrower rebates and fees paid to the broker were \$292 for the year ended December 31, 2009.

(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, 2009, the City's payroll for employees covered by WRS was approximately \$166,400; the City's total payroll was approximately \$320,400.

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, 2009:

Active employees	3,287
Pensioners and beneficiaries	2,774
Inactive employees with vested rights	<u>759</u>
Total members	<u><u>6,820</u></u>
Number of participating employers	<u><u>2</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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 except for special situations and the City's police officers and firefighters, whose normal retirement age is 55. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

(c) Funding Policy

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

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

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$1,926 for the fiscal year ended June 30, 2010 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 92%, 91%, and 91% respectively of the total.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(d) Annual Pension Cost

For the year ended June 30, 2010 the required and actual contribution was \$26,117. For the year ended June 30, 2009 the required and actual contribution was \$22,742 and for the year ended June 30, 2008 the required and actual contribution was \$22,089. At June 30, 2010, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method.

(e) Funded Status and Funding Progress

The funded status of the WRS at January 1, 2010, the most recent actuarial valuation date, is as follows:

Schedule of funding progress						
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll (%)
	(a)	(b)	(b - a)	(a/b)	(c)	(b - a)/c
1/1/2010	\$ 679,510	987,692	308,182	68.80%	\$ 166,392	185.21%

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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(f) Methods and Assumptions

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

Valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002 and 2003 ERI liability and the Section 90 ACD liability and 4.0% increasing payments on the remaining unfunded liability
Remaining amortized period (period is closed)	8 years for the 2002 ERI liability 2 years for the 2003 ERI liability 4 years for the Section 90 ACD liability and 30 years for the remaining unfunded liability
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis recognized over a five-year period

Actuarial assumptions

Investment rate of return	8.25%
Projected salary increases	5.00%
Rate of inflation	4.00%
Cost of living adjustments	3.00% of the first \$12 of retirement income

(g) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2009 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 158,217	Active members' contribution balance
Annuity Reserve Fund	51,189	Retired members' contribution account
Military Service Fund	16	Members' contribution account while on military leave
Pension Reserve Fund	376,643	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>31,671</u>	Remaining net assets
Total	<u>\$ 617,736</u>	

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(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 2010 was approximately \$144,000. Eligibility requirements for participation are as follows:

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

Benefit provisions and contribution requirements are established by state law.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest consecutive salaried years of employee service and are determined in a manner similar to the provisions of WRS (see note 4). MGL Chapter 114 of the Acts of 2000 allows for all eligible members of the Massachusetts Teachers' Retirement System to contribute at a flat 11% rate as of July 1, 2001 in order to receive a retirement benefit enhancement. This benefit enhancement requires a minimum of five years of contribution at this 11% rate and at least thirty years of creditable service in order to receive accelerated retirement benefits up to the statutory maximum of 80%. Contribution at this 11% was voluntary for existing members of the retirement system and is mandated to all new members as of July 1, 2001.

The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The amount of these on-behalf payments from the Commonwealth totaled \$50,647 for the fiscal year ended June 30, 2010 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(6) Other Postemployment Benefits

(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.

The number of participants as of July 1, 2009, the latest actuarial valuation, is as follows:

Active employees	4,349
Retired employees, beneficiaries and dependents	<u>4,809</u>
Total	<u><u>9,158</u></u>

(b) Funding Policy - City

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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	\$ 52,960
Interest on net OPEB obligation	3,812
Adjustment to annual required contribution	<u>(3,404)</u>
Annual OPEB cost	53,368
Contributions made	<u>(20,598)</u>
Increase in net OPEB obligation	32,770
Net OPEB obligation at beginning of year	<u>95,316</u>
Net OPEB obligation at end of year	<u><u>\$ 128,086</u></u>

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

<u>Fiscal Year</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, 2008*	\$ 67,158	33.8	\$ 44,466
June 30, 2009	70,357	27.7	95,316
June 30, 2010	53,368	38.6	128,086

* Transition year

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(d) Funded Status and Funding Progress - City

The funded status of the Plan at July 1, 2009, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/09	\$ -	765,312	765,312	0.0%	\$ 302,802	253%

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.

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

Valuation date:	July 1, 2009
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percent of pay, closed
Remaining amortization period:	28 years as of July 1, 2009
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	10.0% decreasing by 0.5% for 10 years to an ultimate level of 5.0% per year

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(f) Allocation of AOPEBC - City

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

Governmental Activities:

General government	\$ 3,484
Public safety	10,047
Health and human services	369
Education	35,050
Libraries	666
Public works	1,602
Culture and recreation	<u>552</u>

Total AOPEBC - governmental activities 51,770

Business-Type Activities:

Water	986
Sewer	470
Airport	120
Golf	<u>22</u>

Total AOPEBC - business-type activities 1,598

Total AOPEBC \$ 53,368

(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 July 1, 2008, the latest actuarial valuation, is as follows:

Active employees	50
Retired employees, beneficiaries and dependents	<u>14</u>
Total	<u>64</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(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.

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	\$ 708
Interest on net OPEB obligation	18
Adjustment to annual required contribution	<u>(15)</u>
Annual OPEB cost	711
Contributions made	<u>(165)</u>
Increase in net OPEB obligation	546
Net OPEB obligation at beginning of year	<u>518</u>
Net OPEB obligation at end of year	<u>\$ 1,064</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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, 2009*	\$ 676	23.3	\$ 518
June 30, 2010	711	23.2	1,064

* Transition year

(j) Funded Status and Funding Progress – The District

The funded status of the Plan at July 1, 2008, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Payroll ((B-A)/C)</u>
07/01/08	\$ -	13,494	13,494	0.0%	\$ 2,989	451%

(e) Methods and Assumptions – The District

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

Valuation date:	July 1, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percent of pay assuming 4.5% increasing, opening basis
Remaining amortization period:	30 years as of July 1, 2008
Interest discount rate:	3.5%
Healthcare/Medical cost trend rate:	8.5% decreasing by 0.5% for 7 years to an ultimate level of 5.0%

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(7) Accounts Receivable

At June 30, 2010, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Property taxes	\$ 5,863	(2,119)	3,744
Tax liens	5,821	(580)	5,241
Motor vehicle excise taxes	5,604	(3,492)	2,112
Special assessments	2,055	-	2,055
Departmental and other	7,561	(3,021)	4,540
Intergovernmental	<u>101,592</u>	<u>-</u>	<u>101,592</u>
	\$ <u>128,496</u>	<u>(9,212)</u>	<u>119,284</u>

At June, 30, 2010, 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	\$ 14,784	-	14,784
Utility liens	1,767	-	1,767
Special assessments	362	-	362
Intergovernmental	<u>1,098</u>	<u>-</u>	<u>1,098</u>
	\$ <u>18,011</u>	<u>-</u>	<u>18,011</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

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

	General	Other Governmental	Total
<u>Receivable Type:</u>	<u>Fund</u>	<u>Funds</u>	<u></u>
Property taxes	\$ 2,065	-	2,065
Tax liens	5,241	-	5,241
Motor vehicle excise taxes	1,372	-	1,372
Special assessments	2,055	-	2,055
Departmental and other	2,099	577	2,676
Intergovernmental (school construction)	96,864	-	96,864
Intergovernmental (other state and Federal)	765	-	765
	<u>\$ 110,461</u>	<u>577</u>	<u>111,038</u>

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2010, \$19,129 of such assistance was received. Approximately \$122,908 will be received in future fiscal years. Of this amount, \$26,044 represents reimbursement of long-term interest costs, and \$96,864 represents reimbursement of approved construction costs. Accordingly, a \$96,864 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.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2010 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	\$ 18,194	-	-	18,194
Construction in progress	<u>25,378</u>	<u>37,224</u>	<u>2,659</u>	<u>59,943</u>
Total capital assets not being depreciated	<u>43,572</u>	<u>37,224</u>	<u>2,659</u>	<u>78,137</u>
Capital assets, being depreciated:				
Buildings	489,427	8,412	-	497,839
Improvements other than buildings	21,689	3,930	-	25,619
Rolling equipment	25,073	1,085	-	26,158
Equipment and other	14,173	617	-	14,790
Infrastructure	<u>165,156</u>	<u>8,885</u>	<u>-</u>	<u>174,041</u>
	<u>715,518</u>	<u>22,929</u>	<u>-</u>	<u>738,447</u>
Less accumulated depreciation for:				
Buildings	163,518	14,741	-	178,259
Improvements other than buildings	4,358	1,083	-	5,441
Rolling equipment	19,453	987	-	20,440
Equipment and other	11,226	795	-	12,021
Infrastructure	<u>77,710</u>	<u>7,424</u>	<u>-</u>	<u>85,134</u>
	<u>276,265</u>	<u>25,030</u>	<u>-</u>	<u>301,295</u>
Total capital assets being depreciated, net	<u>439,253</u>	<u>(2,101)</u>	<u>-</u>	<u>437,152</u>
Governmental capital assets, net	<u>\$ 482,825</u>	<u>35,123</u>	<u>2,659</u>	<u>515,289</u>

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

Governmental activities:	
General government	\$ 92
Public safety	1,402
Public works	9,157
Education	9,452
Library	771
Health and human services	231
Culture and recreation	<u>3,925</u>
Total depreciation expense – governmental activities	<u>\$ 25,030</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 4,929	-	-	4,929
Construction in progress	<u>1,070</u>	<u>138</u>	<u>875</u>	<u>333</u>
Total capital assets, not being depreciated	<u>5,999</u>	<u>138</u>	<u>875</u>	<u>5,262</u>
Capital assets, being depreciated:				
Buildings	39,819	-	-	39,819
Rolling equipment	2,060	195	-	2,255
Infrastructure	130,900	4,731	-	135,631
Equipment and other	<u>255</u>	<u>-</u>	<u>-</u>	<u>255</u>
Total capital assets, being depreciated	<u>173,034</u>	<u>4,926</u>	<u>-</u>	<u>177,960</u>
Less accumulated depreciation for:				
Buildings	14,345	1,041	-	15,386
Rolling equipment	1,407	126	-	1,533
Infrastructure	45,130	4,169	-	49,299
Equipment and other	<u>69</u>	<u>22</u>	<u>-</u>	<u>91</u>
Total accumulated depreciation	<u>60,951</u>	<u>5,358</u>	<u>-</u>	<u>66,309</u>
Total capital assets, being depreciated, net	<u>112,083</u>	<u>(432)</u>	<u>-</u>	<u>111,651</u>
Water capital assets, net	<u>118,082</u>	<u>(294)</u>	<u>875</u>	<u>116,913</u>
Sewer:				
Capital assets, not being depreciated:				
Land	117	-	-	117
Construction in progress	<u>1,493</u>	<u>2,076</u>	<u>395</u>	<u>3,174</u>
Total capital assets, not being depreciated	<u>1,610</u>	<u>2,076</u>	<u>395</u>	<u>3,291</u>
Capital assets, being depreciated:				
Buildings	3,940	-	-	3,940
Rolling equipment	4,222	550	-	4,772
Infrastructure	147,039	6,104	-	153,143
Equipment and other	<u>319</u>	<u>-</u>	<u>-</u>	<u>319</u>
Total capital assets, being depreciated	<u>155,520</u>	<u>6,654</u>	<u>-</u>	<u>162,174</u>
Less accumulated depreciation for:				
Buildings	1,252	142	-	1,394
Rolling equipment	2,117	359	-	2,476
Infrastructure	60,815	4,683	-	65,498
Equipment and other	<u>83</u>	<u>30</u>	<u>-</u>	<u>113</u>
Total accumulated depreciation	<u>64,267</u>	<u>5,214</u>	<u>-</u>	<u>69,481</u>
Total capital assets, being depreciated, net	<u>91,253</u>	<u>1,440</u>	<u>-</u>	<u>92,693</u>
Sewer capital assets, net	\$ <u>92,863</u>	<u>3,516</u>	<u>395</u>	<u>95,984</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Airport:				
Capital assets, not being depreciated:				
Land	\$ 106	-	-	106
Construction in progress	4,383	95	4,383	95
Total capital assets, not being depreciated	<u>4,489</u>	<u>95</u>	<u>4,383</u>	<u>201</u>
Capital assets, being depreciated:				
Buildings	17,376	-	-	17,376
Rolling equipment	770	-	-	770
Infrastructure	29,983	7,351	-	37,334
Equipment and other	433	-	-	433
Total capital assets, being depreciated	<u>48,562</u>	<u>7,351</u>	<u>-</u>	<u>55,913</u>
Less accumulated depreciation for:				
Buildings	6,294	443	-	6,737
Rolling equipment	711	12	-	723
Infrastructure	13,256	1,516	-	14,772
Equipment and other	386	11	-	397
Total accumulated depreciation	<u>20,647</u>	<u>1,982</u>	<u>-</u>	<u>22,629</u>
Total capital assets, being depreciated, net	<u>27,915</u>	<u>5,369</u>	<u>-</u>	<u>33,284</u>
Airport capital assets, net	<u>32,404</u>	<u>5,464</u>	<u>4,383</u>	<u>33,485</u>
Golf course (nonmajor):				
Capital assets, not being depreciated:				
Construction in progress	546	33	546	33
Capital assets, being depreciated:				
Buildings	214	752	-	966
Infrastructure	815	647	-	1,462
Total capital assets, being depreciated	<u>1,029</u>	<u>1,399</u>	<u>-</u>	<u>2,428</u>
Less accumulated depreciation for:				
Buildings	114	28	-	142
Infrastructure	413	57	-	470
Total accumulated depreciation	<u>527</u>	<u>85</u>	<u>-</u>	<u>612</u>
Total capital assets, being depreciated, net	<u>502</u>	<u>1,314</u>	<u>-</u>	<u>1,816</u>
Golf capital assets, net	<u>1,048</u>	<u>1,347</u>	<u>546</u>	<u>1,849</u>
Business-type activities capital assets, net	<u>\$ 244,397</u>	<u>10,033</u>	<u>6,199</u>	<u>248,231</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component				
units - The District:				
Capital assets, not being depreciated:				
Land	\$ 702	-	-	702
Construction in progress	<u>84,609</u>	<u>10,772</u>	<u>88,516</u>	<u>6,865</u>
Total capital assets, not being depreciated	<u>85,311</u>	<u>10,772</u>	<u>88,516</u>	<u>7,567</u>
Capital assets, being depreciated:				
Treatment facilities	122,443	88,516	-	210,959
Equipment and other	<u>4,024</u>	<u>70</u>	<u>-</u>	<u>4,094</u>
Total capital assets, being depreciated	<u>126,467</u>	<u>88,586</u>	<u>-</u>	<u>215,053</u>
Less accumulated depreciation for:				
Treatment facilities	36,614	4,733	-	41,347
Equipment and other	<u>3,019</u>	<u>189</u>	<u>-</u>	<u>3,208</u>
Total accumulated depreciation	<u>39,633</u>	<u>4,922</u>	<u>-</u>	<u>44,555</u>
Total capital assets, being depreciated, net	<u>86,834</u>	<u>83,664</u>	<u>-</u>	<u>170,498</u>
The District's capital assets, net	<u><u>172,145</u></u>	<u><u>94,436</u></u>	<u><u>88,516</u></u>	<u><u>178,065</u></u>
Discretely presented component				
units - WRA:				
Capital assets, not being depreciated:				
Land	\$ 1,270	-	-	1,270
Construction in progress	<u>1,397</u>	<u>92</u>	<u>1,397</u>	<u>92</u>
Total capital assets, not being depreciated	<u>2,667</u>	<u>92</u>	<u>1,397</u>	<u>1,362</u>
Capital assets, being depreciated:				
Buildings	38,565	1,397	-	39,962
Equipment and other	<u>176</u>	<u>-</u>	<u>-</u>	<u>176</u>
Total capital assets, being depreciated	<u>38,741</u>	<u>1,397</u>	<u>-</u>	<u>40,138</u>
Less accumulated depreciation for:				
Buildings	7,830	989	-	8,819
Equipment and other	<u>93</u>	<u>5</u>	<u>-</u>	<u>98</u>
Total accumulated depreciation	<u>7,923</u>	<u>994</u>	<u>-</u>	<u>8,917</u>
Total capital assets, being depreciated, net	<u>30,818</u>	<u>403</u>	<u>-</u>	<u>31,221</u>
WRA capital assets, net	<u><u>33,485</u></u>	<u><u>495</u></u>	<u><u>1,397</u></u>	<u><u>32,583</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2010. The projects include new school construction, 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, 2010</u>	<u>Remaining commitment</u>
New school construction	\$ 27,336	27,980
Infrastructure improvements	13,613	83,352
Land improvements	3,004	1,833
Building improvements	1,751	178
Total	\$ <u>45,704</u>	<u>113,343</u>

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

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

Invested in capital assets, net of related debt at June 30, 2010 is summarized as follows:

Governmental Activities

Capital assets	\$ 816,584
Less accumulated depreciation	(301,295)
Less outstanding long-term debt	(467,694)
Less outstanding temporary debt	(31,445)
Add outstanding debt that is not capital related	208,323
Add unspent proceeds of capital related debt	<u>12,391</u>
Invested in capital assets, net of related debt	\$ <u>236,864</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Airport</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Business-Type Activities</u>
Capital assets	\$ 183,222	165,465	56,114	2,461	407,262
Less accumulated depreciation	(66,309)	(69,481)	(22,629)	(612)	(159,031)
Less outstanding long-term debt	(73,631)	(49,054)	(3,027)	(1,394)	(127,106)
Less outstanding temporary debt	(4,319)	(7,716)	-	(770)	(12,805)
Add unspent proceeds of capital related debt	<u>5,414</u>	<u>6,741</u>	<u>40</u>	<u>475</u>	<u>12,670</u>
Invested in capital assets, net of related debt	<u>\$ 44,377</u>	<u>45,955</u>	<u>30,498</u>	<u>160</u>	<u>120,990</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 \$144 for the year ended June 30, 2010. The future minimum lease payments for these leases are as follows:

Year ending June 30:	<u>Amount</u>
2011	\$ 146
2012	146
2013	146
2014	146
2015	146
2016	146
2017	146
2018	<u>146</u>
Total	<u>\$ 1,168</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(11) Long-Term Obligations

(a) Primary Government

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

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-8.00%)	\$ 123,166	16,860	15,119	124,907	14,909
Outside debt limit	(2.00%-8.50%)	350,504	9,095	21,421	338,178	23,183
Notes payable – Section 108	(2.31%-6.01%)	4,706	-	98	4,608	103
Accrued early retirement costs		458	-	458	-	-
Judgments and claims		13,296	3,255	1,739	14,812	2,229
Compensated absences		12,883	8,432	8,528	12,787	8,624
Landfill closure and postclosure care costs		3,016	-	48	2,968	-
Other post employment benefits		92,610	51,880	19,975	124,515	-
Deferred amounts on bond premium		3,295	820	736	3,379	736
		<u>\$ 603,934</u>	<u>90,342</u>	<u>68,122</u>	<u>626,154</u>	<u>49,784</u>

For governmental activities, bonds and notes payable are liquidated by the general fund, stabilization fund and various other governmental funds. Claims and judgments, compensated absences and landfill closure and postclosure 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 assets.

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-8.00%)	\$ 8,644	930	1,240	8,334	1,260
Outside debt limit	(2.00%-8.50%)	115,918	13,555	11,520	117,953	10,029
MWPAT note payable	(2.31%-6.01%)	863	-	44	819	44
Judgments and claims		1,072	818	170	1,720	364
Compensated absences		823	663	660	826	660
Other post employment benefits		2,706	1,488	623	3,571	-
Deferred amounts on bond premium		65	31	8	88	8
		<u>\$ 130,091</u>	<u>17,485</u>	<u>14,265</u>	<u>133,311</u>	<u>12,365</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2010 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:						
2011	\$ 38,195	22,618	7,347	3,164	3,285	1,995
2012	33,808	24,763	7,487	2,830	3,229	1,859
2013	31,462	23,699	7,789	2,490	2,843	1,731
2014	29,385	22,649	7,998	2,122	2,853	1,589
2015	32,832	17,093	7,958	1,751	2,857	1,480
2016-2020	139,703	62,936	22,384	4,686	14,169	5,575
2021-2025	100,617	32,116	8,821	1,723	12,841	2,641
2026-2030	51,953	7,491	3,847	313	6,158	477
2031-2035	2,840	950	-	-	-	-
2036-2038	2,290	177	-	-	-	-
	<u>\$ 463,085</u>	<u>214,492</u>	<u>73,631</u>	<u>19,079</u>	<u>48,235</u>	<u>17,347</u>

	<u>Business-type activities</u>				<u>Business-type activities totals</u>	
	<u>Airport</u>		<u>Golf (nonmajor)</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
Year ending June 30:						
2011	\$ 510	71	147	62	11,289	5,292
2012	470	58	144	59	11,330	4,806
2013	485	47	122	44	11,239	4,312
2014	484	36	72	40	11,407	3,787
2015	492	24	72	41	11,379	3,296
2016-2020	555	20	361	138	37,469	10,419
2021-2025	25	4	321	65	22,008	4,433
2026-2030	6	-	155	10	10,166	800
	<u>\$ 3,027</u>	<u>260</u>	<u>1,394</u>	<u>459</u>	<u>126,287</u>	<u>37,145</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(c) Authorized and Unissued Debt

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

Authorized and unissued debt at June 30, 2010 is as follows:

Inside debt limit:

School construction	\$ 65,270
Building rehabilitation	18,284
Union Station Garage	16,810
Street construction	5,613
Water building rehabilitation	3,515
Parks improvements	3,493
Departmental equipment	3,233
Blackstone Valley Visitors' Center	2,960
Worcester Center Boulevard Garage	2,271
Worcester Center Boulevard Garage Walkway	1,850
Building demolition	1,289
Water reservoir rehabilitation	1,000
Off street parking	845
Worcester Common rehabilitation	605
Sewer equipment	540
Urban Systems Gateway	502
Dam improvements	430
Vocational School construction	410
Bridge construction	354
South Worcester Industrial Park	350
Land acquisition	300
Water equipment	200
Sewer building rehabilitation	125
Traffic signals	125
Major Taylor Boulevard Garage	100
Airport improvements	90
Library design	60
Surface drain construction	50
Total inside debt limit	<u>130,674</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Outside debt limit:

CitySquare	76,605
DCU building rehabilitation	22,590
Sewer construction	12,926
Reservoir rehabilitation	7,340
Water filtration	4,169
Vocational School construction	2,175
Airport improvements	795
December, 2008 ice storm clean-up	725
Water mains	655
Acquisition of trees	500
Greenhill Golf Course improvements	275
Surface drain construction	130
Greenhill Park improvements	105
Water hydrants	100
Sewer drainage	50
Water reservoir tank	50
Water equipment	8
Total outside debt limit	<u>129,198</u>
Total inside and outside debt limit	<u>\$ 259,872</u>

At June 30, 2010, in addition to debt authorized but unissued, the City may issue \$427,444 of additional general obligation debt under the normal debt limit. The City had \$456,131 of outstanding debt exempt from the debt limit.

(d) Advance Refundings

The principal amount of debt refunded through prior year in-substance defeasance transactions and still outstanding at June 30, 2010 was \$119,170.

(e) Current Refunding

On August 28, 2009, the City issued \$2,345 in general obligation refunding bonds with an average interest rate of 2.125% for the current refunding of \$2,320 of airport enterprise fund bonds with an average interest rate of 5.83%. The \$2,320 of refunded bonds were retired on October 1, 2009. The reacquisition price equaled the net carrying amount of the old debt. The transaction resulted in a reduction of approximately \$295 in debt service payments over the remaining life of the bonds, and an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$275.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Details of the current refunding by fund type are as follows:

	<u>Airport</u> <u>Enterprise</u>
Refunding bonds issued	\$ 2,345
Refunding bonds premium	31
Refunded bonds retired	(2,320)
Bond issuance costs	<u>(56)</u>
Net gain/loss on refunding	\$ <u><u>-</u></u>
Net change in debt service payments	\$ <u><u>295</u></u>
Economic gain	\$ <u><u>275</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(f) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2010:

1997 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	\$ 5,922
1999 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.	610
2001 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.	314
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.	8,190
2004 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034. The bonds were advanced refunded by the Trust during 2007.	41,548
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.	5,736
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.30% with a final payment due July 15, 2036.	24,357
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.	7,410
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.	11,462
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.	7,425
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.	22,573
Unamortized bond premium	1,724
OPEB	1,064
Accrued sick leave	476
Total long-term obligations	<u>138,811</u>
Less portion due within one year	<u>(5,061)</u>
Amount due in more than one year	<u>\$ 133,750</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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		
2011	\$ 4,933	4,744	9,677	1,276	8,401
2012	5,099	4,565	9,664	1,240	8,424
2013	5,246	4,376	9,622	1,203	8,419
2014	5,404	4,179	9,583	1,164	8,419
2015	5,592	3,963	9,555	1,124	8,431
2016-2020	27,990	16,371	44,361	4,141	40,220
2021-2025	23,819	11,453	35,272	2,809	32,463
2026-2030	23,781	6,842	30,623	2,311	28,312
2031-2035	25,555	2,579	28,134	1,734	26,400
2036-2039	8,128	317	8,445	-	8,445
	<u>\$ 135,547</u>	<u>59,389</u>	<u>194,936</u>	<u>17,002</u>	<u>177,934</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, 2010, are as follows:

Project	Outstanding at June 30, 2009 *	Issued	Redeemed	Outstanding at June 30, 2010
Union Station - Building Fit Out	\$ 2,740	92	-	2,832
Union Station - Operating	2,304	457	-	2,761
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Total	<u>\$ 5,607</u>	<u>549</u>	<u>-</u>	<u>6,156</u>

* As restated and described in Note 18

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(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>
2011	\$ 5,406	672	6,078
2015	750	44	794
Total	<u>\$ 6,156</u>	<u>716</u>	<u>6,872</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, 2010 in the general fund, stabilization fund, nonmajor governmental funds, and enterprise funds were \$962.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

At June 30, 2010, the following 1.25% to 3.50% BANs (maturing through November 5, 2010) were outstanding:

	Outstanding as of June 30, 2009	Additions	Reductions	Outstanding as of June 30, 2010
Bond anticipation notes payable:				
School	\$ 1,800	-	-	1,800
General	26,794	31,445	28,594	29,645
Water	5,740	4,319	5,740	4,319
Sewer	5,850	7,716	5,850	7,716
Golf course (nonmajor)	550	770	550	770
Total	\$ <u>40,734</u>	<u>44,250</u>	<u>40,734</u>	<u>44,250</u>

(b) Discretely Presented Component Units – The District

The District issues short-term notes as preliminary financing for major capital additions. Notes payable activity for the year ended June 30, 2010 was as follows:

	Outstanding as of June 30, 2009	Additions	Reductions	Outstanding as of June 30, 2010
Short-term notes	\$ <u>16,148</u>	<u>6,716</u>	<u>-</u>	<u>22,864</u>

The outstanding notes mature through June 24, 2011 and bear interest between 0.55 – 1.50%.

(13) Interfund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2010 are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 375 (1)
Internal Service Fund	General Fund	340 (2)

(1) Represents temporary transfer to cover cash deficit.

(2) Represents temporary cash advance.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Transfers and their purposes during the year ended June 30, 2010 were as follows:

	Governmental funds				Proprietary funds			
	General Fund	Stabilization Fund	School Grant Fund	Other Gov'tal Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund (Nonmajor)
Original budget:								
General fund - to fund debt payments	\$ (11,686)	11,686	-	-	-	-	-	-
General fund - to fund airport operations	(1,182)	-	-	-	-	-	1,182	-
Cemetery reserve - to fund parks and cemetery	132	-	-	(132)	-	-	-	-
Enterprises - to fund debt payments	1,457	-	-	-	(788)	(565)	(79)	(25)
Aid to highways Chapter 90 - to fund public works administration	373	-	-	(373)	-	-	-	-
Parking - to fund parking operations	453	-	-	(453)	-	-	-	-
Sewer connection fees - to fund public works administration	118	-	-	(118)	-	-	-	-
Construction permits - to fund public works administration	145	-	-	(145)	-	-	-	-
Conservation fees - to fund general fund operations	31	-	-	(31)	-	-	-	-
DCU Stabilization - to fund marketing costs	250	(250)	-	-	-	-	-	-
Sale of cemetery lots and graves - to fund parks and cemetery operations	44	-	-	(44)	-	-	-	-
Sub-total	<u>(9,865)</u>	<u>11,436</u>	<u>-</u>	<u>(1,296)</u>	<u>(788)</u>	<u>(565)</u>	<u>1,103</u>	<u>(25)</u>
Subsequent transfers:								
Stabilization fund - to fund snow removal costs	1,000	(1,000)	-	-	-	-	-	-
Library doantions - to fund Library operations	154	-	-	(154)	-	-	-	-
General fund - to fund golf operations	(177)	-	-	-	-	-	-	177
Passenger facility fees - to fund Airport operations	-	-	-	(123)	-	-	123	-
Damage settlements - to reimburse for damage to City property	9	-	6	(22)	7	-	-	-
Premium on loans - to fund bond issuance costs	311	-	-	(311)	-	-	-	-
Real estate sales - to fund debt payments	801	-	-	(801)	-	-	-	-
Sewer connection fees - to fund Sewer operations	-	-	-	(914)	-	914	-	-
General fund - to fund budgetary basis deficit	(801)	-	-	-	801	-	-	-
General fund - to fund debt payments	(6)	6	-	-	-	-	-	-
General fund to fund Special Revenue account deficits	(236)	-	-	236	-	-	-	-
Capital - to fund capital project acquisitions	-	-	-	15	(15)	-	-	-
Total transfers, net	<u>\$ (8,810)</u>	<u>10,442</u>	<u>6</u>	<u>(3,370)</u>	<u>5</u>	<u>349</u>	<u>1,226</u>	<u>152</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(14) Environmental Remediation – The District

Plant Improvements

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

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

Phase I	Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. \$67,900)
Phase II	Advanced treatment facilities required for projected 2010 flows. (approx. \$88,500)
Phase III	Solids management facilities. (approx. \$31,000)
Phase IV	Facilities required for future flows (beyond 2010). (approx. \$15,000)

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$202,400. In accordance with the District's agreement with EPA, Phase I was essentially completed in 2008, and Phase II was essentially completed in 2010. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III have been initiated. Phase IV facilities would only be completed if sufficient regional growth occurs to warrant their construction.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2010, the District has spent and capitalized approximately \$161,000, including capitalized interest of \$8,438.

Blackstone River Modeling Study

The District is conducting a modeling study of the Blackstone River to better understand the impact of water quality management decisions on the River. Identifying and solving the real problems of the River will start with having better tools to analyze the puzzle. For this reason, the District has initiated development of a new model of the River that starts to integrate all these effects.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

The District does not think these initial efforts will be the end of the need to develop better tools for the River. This will be a process of continuing enhancements; as the District better understands the River, it will invariably have to make modifications and improvements to both the model and its treatment facilities.

The estimated cost of the study is approximately \$1,900 and will be financed through long-term borrowing. As of June 30, 2010, the District has spent and capitalized approximately \$1,853.

(15) Risk Management

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

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

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Fallon, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon Senior plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$150 for each participating member of the self-insured health plans. Between 20% and 25% of employee contributions are made depending on the calculated contribution rate of the plan involved. The remainder of such costs is funded by the City. The City provides \$5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

Changes in the self-insurance liability for health claims for the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Health claims, beginning of year	\$ 4,661	4,712
Incurred claims	77,679	75,169
Payments of claims attributable to events of the current and prior fiscal years	<u>(76,913)</u>	<u>(75,220)</u>
Health claims, end of year	<u>\$ 5,427</u>	<u>4,661</u>

Changes in judgments and claims liability for the years ended June 30, 2010 and 2009 were as follows:

Judgments and claims, beginning of year	\$ 14,368	16,176
Additions to estimated claims liability	4,073	773
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(143)	(108)
Workers' compensation	<u>(1,766)</u>	<u>(2,473)</u>
Judgments and claims, end of year	<u>\$ 16,532</u>	<u>14,368</u>

Judgments and claims consisted of the following at June 30:

Workers' compensation	\$ 15,546	14,253
Court judgments and legal settlements	<u>986</u>	<u>115</u>
	<u>\$ 16,532</u>	<u>14,368</u>

The fiscal 2010 liability for judgments and claims consist of governmental and business-type activities in the amount of \$14,812 and \$1,720 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, 2010

(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 Deficits and Appropriation Deficits

Fund Deficits

The following funds had deficits at June 30, 2010:

Capital Projects Funds:	
DCU construction	\$ 5,335
Street and sidewalk	4,213
Rehabilitation of public buildings	5,327
Capital equipment	1,278
School construction	4,340
Parks improvements	1,572
Special Revenue Funds:	
DCU Center	1,450
Enterprise Funds:	
Golf course (nonmajor)	217

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations for state and regional charges. These over-expenditures will be funded by taxes and available funds during fiscal year 2011.

(17) Prior Period Reclassifications

The beginning fund balances of the school grants and nonmajor governmental funds have been restated from zero and \$36,493,427, respectively, to \$14,029,415 and \$22,464,012, respectively, to reflect the reclassification of the school grants fund from a nonmajor governmental fund to a major fund.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(18) Prior Period Restatements

The beginning net assets of the WRA have been restated from \$26,822 to \$27,424 to reflect the adjustment of notes payable and accrued interest.

(19) Subsequent Events

Subsequent to June 30, 2010 and in accordance with the Commonwealth's Acts of 2009, the operations and majority of the Worcester Regional Airport's (Airport) assets were transferred from the City to the Massachusetts Port Authority (the Authority) for approximately \$15,000. The transaction involved the transfer of legal title to the majority of the real, personal and intangible property of the Airport. The only Airport assets retained by the City include various parcels of land valued at approximately \$3,000.

On July 2, 2010, the City received a partial payment from the Authority of approximately \$12,000. The remaining \$3,000 is being retained by the Authority in escrow and represents the present value of the cost of retiree benefits for the Airport's active employees (hereinafter referred to as "retiree escrow"). As part of the transfer, the City agreed to act in an agency capacity for the Authority through December 31, 2010, whereby the City will continue to act as the employer for the current Airport employees. Not less than one year after the last day of the City's service as the Authority's agent, the Authority will remit the retiree escrow to the City. At that time, the City must place the retiree escrow in a separate account to be used for the sole purpose of financing the pension and OPEB costs of retired Airport employees with creditable service prior to July 1, 2010.

The \$12,000 received from the Authority is considered proceeds from the sale of real estate in accordance with MGL Chapter 44, Section 63, and must be appropriated by the City for future debt service costs related to the Airport as of July 2, 2010. Any remaining amounts may be used for any purpose for which the City is authorized to incur debt for a period of five years or more and/or to pay down debt incurred pursuant to MGL, Chapter 44, Section 7, Clause 3.

During the term of its appointment as the Authority's agent, the City is also responsible for maintaining the operations of the Airport. The Authority will reimburse the City for 100% of the operating costs during the agency period, plus a 3% indirect cost reimbursement.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2010

(In thousands of dollars)

(20) Implementation of GASB Pronouncements

The City implemented the following GASB pronouncements during fiscal year 2010:

Statement #51, Accounting and Financial Reporting for Intangible Assets. The implementation of this Statement had no impact on the financial statements.

Statement #53, Accounting and Financial Reporting for Derivative Instruments. The implementation of this Statement had no impact on the City's financial statements.

Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The implementation of this Statement had no impact on the financial statements.

Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The implementation of this Statement had no impact on the financial statements.

Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The implementation of this Statement had no impact on the financial statements.

(21) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented during fiscal year 2011. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is required to be implemented during fiscal year 2012. This pronouncement will not impact the basic financial statements.

Statement #59, Financial Instruments Omnibus, which is required to be implemented during fiscal year 2011. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 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	\$ 203,861,862	204,753,010	204,640,465	(112,545)
Motor vehicle excise taxes	12,300,000	12,100,000	11,059,137	(1,040,863)
Penalties and interest on taxes:				
Property taxes	1,070,700	1,070,700	1,084,054	13,354
Tax titles	236,300	236,300	161,525	(74,775)
Motor vehicle excise	1,217,000	1,217,000	960,809	(256,191)
Special assessments	48,000	48,000	65,542	17,542
	<u>2,572,000</u>	<u>2,572,000</u>	<u>2,271,930</u>	<u>(300,070)</u>
Other taxes and in-lieu payments:				
In lieu of taxes	1,599,981	1,400,000	1,144,356	(255,644)
Special assessments	395,000	395,000	332,526	(62,474)
Meals tax	-	1,491,000	1,120,251	(370,749)
Hotel/motel tax	760,000	925,000	610,949	(314,051)
	<u>2,754,981</u>	<u>4,211,000</u>	<u>3,208,082</u>	<u>(1,002,918)</u>
Licenses and permits:				
Clerk	168,900	183,900	171,667	(12,233)
Code Inspection	2,656,020	2,656,020	2,684,750	28,730
Fire	245,925	245,925	246,898	973
Health	464,930	464,930	548,822	83,892
License Commission:				
Liquor licenses	808,610	808,610	841,282	32,672
Other	93,100	93,100	65,570	(27,530)
Police	82,245	82,245	79,689	(2,556)
Public Works	249,850	249,850	251,467	1,617
	<u>4,769,580</u>	<u>4,784,580</u>	<u>4,890,145</u>	<u>105,565</u>
Intergovernmental:				
State local aid	225,457,534	223,026,632	222,899,777	(126,855)
State school construction aid	18,828,785	19,129,087	19,129,087	-
School related Federal Medicare	5,610,000	5,610,000	7,169,791	1,559,791
Federal indirect cost reimbursements	1,678,000	1,678,000	1,740,455	62,455
	<u>251,574,319</u>	<u>249,443,719</u>	<u>250,939,110</u>	<u>1,495,391</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 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	\$ 2,714,860	2,292,860	2,217,414	(75,446)
Court fines	1,122,140	1,107,140	972,616	(134,524)
	<u>3,837,000</u>	<u>3,400,000</u>	<u>3,190,030</u>	<u>(209,970)</u>
Investment earnings	<u>1,200,000</u>	<u>750,000</u>	<u>104,648</u>	<u>(645,352)</u>
Charges for services:				
Assessor	11,500	11,500	10,209	(1,291)
Auditorium	85,000	200,000	249,473	49,473
Clerk	630,000	630,000	578,826	(51,174)
Cable TV	25,000	25,000	22,821	(2,179)
Communications	350	350	505	155
Elder Affairs	45,000	45,000	46,436	1,436
Election Commission	-	-	493	493
Fire	222,800	222,800	264,003	41,203
Health	20,470	20,470	33,290	12,820
Hope Cemetery	210,000	230,000	230,602	602
Library	70,000	70,000	53,691	(16,309)
Messenger	7,000	7,000	3,295	(3,705)
Parks	40,000	50,000	72,780	22,780
Planning	92,800	92,800	122,480	29,680
Police	571,000	571,000	474,372	(96,628)
Public Works	3,000	3,000	3,718	718
Purchasing	174,000	174,000	171,057	(2,943)
Schools	-	-	4,633	4,633
Trailer coach park	4,500	4,500	4,120	(380)
Trash bags	4,300,000	3,750,000	3,535,160	(214,840)
Treasurer	32,000	32,000	27,164	(4,836)
	<u>6,544,420</u>	<u>6,139,420</u>	<u>5,909,128</u>	<u>(230,292)</u>
Miscellaneous	<u>656,000</u>	<u>656,000</u>	<u>1,438,083</u>	<u>782,083</u>
Total revenues	<u>490,070,162</u>	<u>488,809,729</u>	<u>487,650,758</u>	<u>(1,158,971)</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Council:				
Salaries	\$ 324,000	301,709	301,709	-
Ordinary maintenance	26,867	26,867	18,446	8,421
	<u>350,867</u>	<u>328,576</u>	<u>320,155</u>	<u>8,421</u>
Mayor:				
Salaries	101,857	101,654	101,654	-
Ordinary maintenance	5,205	5,198	5,198	-
	<u>107,062</u>	<u>106,852</u>	<u>106,852</u>	<u>-</u>
Manager:				
Salaries:				
Executive office	644,332	676,552	676,552	-
Planning & Development	646,482	604,395	570,640	33,755
Ordinary maintenance:				
Executive office	1,204,280	1,233,802	1,233,802	-
Planning & Development	88,978	86,078	84,943	1,135
Tourism promotion	-	250,000	-	250,000
	<u>2,584,072</u>	<u>2,850,827</u>	<u>2,565,937</u>	<u>284,890</u>
Auditor:				
Salaries	522,857	521,986	521,986	-
Ordinary maintenance	85,059	85,003	85,003	-
	<u>607,916</u>	<u>606,989</u>	<u>606,989</u>	<u>-</u>
Administration & Finance:				
Salaries	384,045	382,120	370,606	11,514
Ordinary maintenance	70,910	49,992	49,992	-
	<u>454,955</u>	<u>432,112</u>	<u>420,598</u>	<u>11,514</u>
Treasurer and Collector:				
Salaries	1,063,253	954,090	954,090	-
Ordinary maintenance	623,029	929,725	929,725	-
	<u>1,686,282</u>	<u>1,883,815</u>	<u>1,883,815</u>	<u>-</u>
Assessor:				
Salaries	569,615	455,284	455,284	-
Ordinary maintenance	25,373	72,582	72,582	-
	<u>594,988</u>	<u>527,866</u>	<u>527,866</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 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	736	736	-
	1,200	736	736	-
Law:				
Salaries	748,924	796,827	796,827	-
Ordinary maintenance	122,842	116,240	116,240	-
Casualty insurance	119,948	119,948	88,213	31,735
Court judgments	377,750	363,050	296,216	66,834
	1,369,464	1,396,065	1,297,496	98,569
Clerk:				
Salaries	604,171	604,530	577,798	26,732
Ordinary maintenance	26,693	26,693	25,704	989
	630,864	631,223	603,502	27,721
Messenger:				
Salaries	45,074	45,074	42,351	2,723
Ordinary maintenance	481,596	451,596	403,000	48,596
	526,670	496,670	445,351	51,319
Election Commission:				
Salaries	319,681	189,861	125,068	64,793
Ordinary maintenance	84,885	84,885	77,950	6,935
	404,566	274,746	203,018	71,728
Purchasing:				
Salaries	190,227	191,918	191,918	-
Ordinary maintenance	14,532	13,532	13,532	-
	204,759	205,450	205,450	-
Technical services:				
Salaries	1,699,851	1,699,851	1,673,138	26,713
Ordinary maintenance	903,495	903,495	829,084	74,411
	2,603,346	2,603,346	2,502,222	101,124
Human Resources:				
Salaries	751,471	763,471	751,320	12,151
Ordinary maintenance	220,010	312,010	308,276	3,734
	971,481	1,075,481	1,059,596	15,885
Total general government	13,098,492	13,420,754	12,749,583	671,171

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Salaries	\$ 37,107,709	37,416,568	37,092,854	323,714
Ordinary maintenance	1,839,845	1,839,845	1,816,763	23,082
	<u>38,947,554</u>	<u>39,256,413</u>	<u>38,909,617</u>	<u>346,796</u>
Fire:				
Salaries	31,286,732	32,736,090	32,147,226	588,864
Ordinary maintenance	918,735	988,772	986,573	2,199
Capital	25,000	25,000	24,102	898
	<u>32,230,467</u>	<u>33,749,862</u>	<u>33,157,901</u>	<u>591,961</u>
Inspectional services:				
Salaries	2,734,321	2,659,321	2,491,785	167,536
Ordinary maintenance	167,089	242,089	223,150	18,939
	<u>2,901,410</u>	<u>2,901,410</u>	<u>2,714,935</u>	<u>186,475</u>
Communications:				
Salaries	1,745,169	1,753,838	1,641,359	112,479
Ordinary maintenance	323,966	323,966	264,916	59,050
	<u>2,069,135</u>	<u>2,077,804</u>	<u>1,906,275</u>	<u>171,529</u>
Total public safety	<u>76,148,566</u>	<u>77,985,489</u>	<u>76,688,728</u>	<u>1,296,761</u>
Health and human services:				
Health:				
Salaries	19,140	75,803	23,691	52,112
Ordinary maintenance	5,000	-	-	-
	<u>24,140</u>	<u>75,803</u>	<u>23,691</u>	<u>52,112</u>
Elder Affairs:				
Salaries	264,981	267,226	267,125	101
Ordinary maintenance	290,653	293,153	283,847	9,306
	<u>555,634</u>	<u>560,379</u>	<u>550,972</u>	<u>9,407</u>
Total health and human services	<u>579,774</u>	<u>636,182</u>	<u>574,663</u>	<u>61,519</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 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	\$ 170,763,209	167,584,943	167,584,943	-
Ordinary maintenance	29,395,285	29,924,171	29,924,171	-
Capital	245,000	492,314	492,314	-
Total education	200,403,494	198,001,428	198,001,428	-
Libraries:				
Public Library:				
Salaries	2,989,916	3,123,626	3,117,332	6,294
Ordinary maintenance	1,299,470	1,320,202	1,319,401	801
	4,289,386	4,443,828	4,436,733	7,095
Regional Library:				
Salaries and benefits	52,225	52,046	52,046	-
Ordinary maintenance	50,175	63,648	63,648	-
	102,400	115,694	115,694	-
Total libraries	4,391,786	4,559,522	4,552,427	7,095
Public works:				
Department of Public Works:				
Salaries	5,624,623	5,675,576	5,613,136	62,440
Ordinary maintenance	6,084,538	6,038,168	5,703,901	334,267
Snow and ice removal	2,485,027	4,434,077	4,434,077	-
Street lighting	1,887,828	1,887,828	1,887,828	-
	16,082,016	18,035,649	17,638,942	396,707
Union Station:				
Ordinary maintenance	457,355	457,355	457,355	-
Total public works	16,539,371	18,493,004	18,096,297	396,707

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks and Cemetery:				
Salaries	\$ 2,532,276	2,684,530	2,668,750	15,780
Ordinary maintenance	647,596	654,283	614,898	39,385
	<u>3,179,872</u>	<u>3,338,813</u>	<u>3,283,648</u>	<u>55,165</u>
Auditorium:				
Ordinary maintenance	121,506	119,505	119,444	61
DCU Center:				
Debt service	596,914	376,875	376,875	-
Total culture and recreation	<u>3,898,292</u>	<u>3,835,193</u>	<u>3,779,967</u>	<u>55,226</u>
Intergovernmental:				
County assessment	75,759	75,759	75,759	-
Health insurance - retirees	11,231	11,231	11,231	-
Regional planning	41,712	41,712	41,594	118
Regional Transit Authority	2,292,127	2,292,127	2,292,127	-
Air pollution control	37,634	37,634	37,634	-
Charter Schools	20,507,059	21,756,434	21,838,186	(81,752)
School choice	-	1,903,903	1,858,305	45,598
Special education - Chapter 766	207,227	208,141	172,545	35,596
Registry parking ticket surcharge	494,720	494,720	537,180	(42,460)
Total intergovernmental	<u>23,667,469</u>	<u>26,821,661</u>	<u>26,864,561</u>	<u>(42,900)</u>
Debt service:				
Principal	21,610,857	21,610,856	21,610,856	-
Interest	8,266,864	8,260,637	8,260,637	-
Pension obligation bond:				
Municipal departments:				
Principal	6,305,000	6,305,000	6,305,000	-
Interest	4,460,285	4,460,285	4,460,285	-
Enterprise funds (interest)	1,457,360	1,457,360	1,457,360	-
Public schools (interest)	4,381,767	4,381,768	4,381,768	-
Total debt service	<u>46,482,133</u>	<u>46,475,906</u>	<u>46,475,906</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	\$ 16,835,038	16,587,261	16,587,261	-
Public Schools	7,636,683	6,887,547	6,887,547	-
Noncontributory pensions:				
Municipal departments	151,530	154,729	154,729	-
Public Schools	254,598	234,926	234,926	-
	<u>24,877,849</u>	<u>23,864,463</u>	<u>23,864,463</u>	<u>-</u>
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	1,169,151	1,034,112	1,034,112	-
Public Schools	323,700	562,157	562,157	-
Public safety injured on duty	499,771	316,875	316,875	-
Unemployment compensation:				
Municipal departments	1,870,000	653,311	653,311	-
Public Schools	275,000	504,969	504,969	-
	<u>4,137,622</u>	<u>3,071,424</u>	<u>3,071,424</u>	<u>-</u>
Group insurance:				
Municipal departments	22,409,700	21,508,246	21,508,246	-
Public Schools	39,192,088	37,882,239	37,882,239	-
	<u>61,601,788</u>	<u>59,390,485</u>	<u>59,390,485</u>	<u>-</u>
Total fringe benefits	<u>90,617,259</u>	<u>86,326,372</u>	<u>86,326,372</u>	<u>-</u>
Contingency	1,036,916	-	-	-
Total expenditures	<u>476,863,552</u>	<u>476,555,511</u>	<u>474,109,932</u>	<u>2,445,579</u>
Excess of revenues over expenditures	<u>13,206,610</u>	<u>12,254,218</u>	<u>13,540,826</u>	<u>1,286,608</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2010
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 2,752,854	5,278,417	5,278,417	-
Transfers out	(12,900,621)	(14,088,290)	(14,088,290)	-
Premium on loans	-	-	508,979	508,979
Total other financing sources (uses)	<u>(10,147,767)</u>	<u>(8,809,873)</u>	<u>(8,300,894)</u>	<u>508,979</u>
Net changes in fund balance	3,058,843	3,444,345	5,239,932	1,795,587
Budgetary fund balance - beginning	5,308,005	5,308,005	5,308,005	-
Budgetary fund balance - ending	<u>\$ 8,366,848</u>	<u>8,752,350</u>	<u>10,547,937</u>	<u>1,795,587</u>

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2010

(In thousands of dollars)

Pension Plan Schedules

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

SCHEDULES OF FUNDING PROGRESS (WRS)

	(a)	(b)	(b - a)	(a/b)	(c)	(b - a)/c
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio (%)	Covered Payroll	UAAL as a Percent of Covered Payroll (%)
1/1/2005	\$ 606,100	771,948	165,848	78.52	\$ 147,127	112.72
1/1/2006	644,017	806,957	162,940	79.81	145,831	111.73
1/1/2007	716,797	837,608	120,811	85.58	152,838	79.05
1/1/2008	759,410	889,924	130,514	85.33	156,585	83.35
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

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2004	\$ 20,150	100
2005	23,579	106
2006	23,355	100
2007	24,166	100
2008	24,947	100
2009	28,505	100

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2010

(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>
2005	\$ 18,110	100	89.9
2006	21,526	100	91.3
2007	21,241	100	90.9
2008	22,089	100	91.4
2009	22,742	100	91.2
2010	26,117	100	91.6

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>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%

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2010

(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 2010, the original general fund expenditure budget was decreased by \$308.

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, 2010:

	<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	\$ 487,651	474,110	(8,301)	5,240
MTRS on-behalf payments	50,647	50,647	-	-
COLA on-behalf payments	1,926	1,926	-	-
Adjustment of revenues to a modified basis	<u>682</u>	<u>-</u>	<u>-</u>	<u>682</u>
As reported on a GAAP basis	<u>\$ 540,906</u>	<u>526,683</u>	<u>(8,301)</u>	<u>5,922</u>

The major differences between the budgetary basis and the GAAP basis are revenues are recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP); claims are recorded as expenditures when paid (budgetary), as opposed to a liability when incurred (GAAP); and MTRS and COLA on-behalf payments are recorded on a GAAP basis only.

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2010

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

Special Revenue

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

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

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

Police Auxiliary – accounts for police off-duty details.

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

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

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

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

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

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

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

Capital Projects

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2010

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

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Other – accounts for various trusts.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ 381,103	1,662,283	159,023	625,240	752,114
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	-	-	-	-	-
Receivables	-	-	427,790	-	149,546
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 381,103</u>	<u>1,662,283</u>	<u>586,813</u>	<u>625,240</u>	<u>901,660</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	112,226	144,068	2,168	7,828
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Deferred revenue	-	-	427,790	-	149,546
Other liabilities	1,831,230	-	-	-	-
Total liabilities	<u>1,831,230</u>	<u>112,226</u>	<u>571,858</u>	<u>2,168</u>	<u>157,374</u>
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	-	-	-	-	-
State and Federal grants	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	(1,450,127)	1,550,057	14,955	623,072	744,286
Capital projects funds	-	-	-	-	-
Expendable permanent funds	-	-	-	-	-
Total fund balances	<u>(1,450,127)</u>	<u>1,550,057</u>	<u>14,955</u>	<u>623,072</u>	<u>744,286</u>
Total liabilities and fund balances	<u>\$ 381,103</u>	<u>1,662,283</u>	<u>586,813</u>	<u>625,240</u>	<u>901,660</u>

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
1,395,102	11,152,203	-	-	-	16,127,068
-	-	232,251	1,122,382	5,840,498	7,195,131
-	-	-	-	-	-
-	-	-	-	-	577,336
-	-	-	-	1,752,594	1,752,594
<u>1,395,102</u>	<u>11,152,203</u>	<u>232,251</u>	<u>1,122,382</u>	<u>7,593,092</u>	<u>25,652,129</u>
32,621	-	61,611	66,407	1,027,509	1,454,438
-	-	-	-	-	-
-	-	-	-	400,000	400,000
-	-	-	-	-	577,336
-	-	-	-	-	1,831,230
<u>32,621</u>	<u>-</u>	<u>61,611</u>	<u>66,407</u>	<u>1,427,509</u>	<u>4,263,004</u>
-	-	-	-	-	-
-	-	170,640	1,055,975	6,165,583	7,392,198
1,362,481	11,152,203	-	-	-	13,996,927
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,362,481</u>	<u>11,152,203</u>	<u>170,640</u>	<u>1,055,975</u>	<u>6,165,583</u>	<u>21,389,125</u>
<u>1,395,102</u>	<u>11,152,203</u>	<u>232,251</u>	<u>1,122,382</u>	<u>7,593,092</u>	<u>25,652,129</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Capital Projects Funds				
	DCU Center Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	1,843,154	4,865,254	659,266	308,903	978,294
Restricted investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other governments	-	144,422	-	-	-
Total assets	\$ 1,843,154	5,009,676	659,266	308,903	978,294
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 721,957	\$ 952,725	\$ 3,108	\$ 32,960	\$ 2,277,161
Retainage payable	106,645	244,956	88,905	-	1,240,727
Temporary loans	6,350,000	8,025,000	5,894,000	1,553,500	1,800,000
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	7,178,602	9,222,681	5,986,013	1,586,460	5,317,888
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	-	-	-	-	-
State and Federal grants	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	(5,335,448)	(4,213,005)	(5,326,747)	(1,277,557)	(4,339,594)
Expendable permanent funds	-	-	-	-	-
Total fund balances	(5,335,448)	(4,213,005)	(5,326,747)	(1,277,557)	(4,339,594)
Total liabilities and fund balances	\$ 1,843,154	5,009,676	659,266	308,903	978,294

Capital Projects Funds

<u>Parks Improvements</u>	<u>Union Station Garage</u>	<u>Franklin St. Fire Station</u>	<u>Other</u>	<u>Subtotal</u>
-	-	-	-	-
1,888,941	2,452,669	3,277	2,271,773	15,271,531
-	-	-	-	-
95,040	-	-	-	239,462
<u>1,983,981</u>	<u>2,452,669</u>	<u>3,277</u>	<u>2,271,773</u>	<u>15,510,993</u>
1,127,297	-	-	-	5,115,208
271,704	-	-	185,245	2,138,182
2,157,000	-	-	2,070,000	27,849,500
-	-	-	-	-
<u>3,556,001</u>	<u>-</u>	<u>-</u>	<u>2,255,245</u>	<u>35,102,890</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(1,572,020)	2,452,669	3,277	16,528	(19,591,897)
-	-	-	-	-
<u>(1,572,020)</u>	<u>2,452,669</u>	<u>3,277</u>	<u>16,528</u>	<u>(19,591,897)</u>
<u>1,983,981</u>	<u>2,452,669</u>	<u>3,277</u>	<u>2,271,773</u>	<u>15,510,993</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

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	31,870	98,014	418,319	49,321	16,166
Restricted investments	2,191,019	1,631,016	6,259,619	468,563	287,115
Receivables	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 2,222,889	1,729,030	6,677,938	517,884	303,281
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	665	8,095	-	-
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	-	665	8,095	-	-
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	2,222,889	1,700,217	6,653,789	488,589	299,353
State and Federal grants	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Expendable permanent funds	-	28,148	16,054	29,295	3,928
Total fund balances	2,222,889	1,728,365	6,669,843	517,884	303,281
Total liabilities and fund balances	\$ 2,222,889	1,729,030	6,677,938	517,884	303,281

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
-	-	-	-	-	16,127,068
262	17,096	23,835	2,204	657,087	23,123,749
6,030	254,169	380,097	4,684	11,482,312	11,482,312
-	-	-	-	-	577,336
-	-	-	-	-	1,992,056
<u>6,292</u>	<u>271,265</u>	<u>403,932</u>	<u>6,888</u>	<u>12,139,399</u>	<u>53,302,521</u>
-	3,660	-	-	12,420	6,582,066
-	-	-	-	-	2,138,182
-	-	-	-	-	28,249,500
-	-	-	-	-	577,336
-	-	-	-	-	1,831,230
-	<u>3,660</u>	-	-	<u>12,420</u>	<u>39,378,314</u>
6,292	265,217	396,619	4,888	12,037,853	12,037,853
-	-	-	-	-	7,392,198
-	-	-	-	-	13,996,927
-	-	-	-	-	(19,591,897)
-	2,388	7,313	2,000	89,126	89,126
<u>6,292</u>	<u>267,605</u>	<u>403,932</u>	<u>6,888</u>	<u>12,126,979</u>	<u>13,924,207</u>
<u>6,292</u>	<u>271,265</u>	<u>403,932</u>	<u>6,888</u>	<u>12,139,399</u>	<u>53,302,521</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the fiscal year ended June 30, 2010

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ -	10,214,606	-	-	-
Investment earnings	-	-	-	-	-
Charges for services	1,241,475	673,727	6,253,149	-	618,789
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,241,475</u>	<u>10,888,333</u>	<u>6,253,149</u>	<u>-</u>	<u>618,789</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	6,402,396	-	327,475
Health and human services	-	-	-	-	90
Education	-	10,146,449	-	-	-
Libraries	-	-	-	-	-
Public works	-	-	-	1,510,358	70,089
Culture and recreation	544,109	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	229,331	-	-	868,552	-
Interest	223,676	-	-	668,267	-
Total expenditures	<u>997,116</u>	<u>10,146,449</u>	<u>6,402,396</u>	<u>3,047,177</u>	<u>397,654</u>
Excess (deficiency) of revenues over expenditures	<u>244,359</u>	<u>741,884</u>	<u>(149,247)</u>	<u>(3,047,177)</u>	<u>221,135</u>
Other financing sources (uses):					
Transfers in	115,505	-	41,433	3,340,351	-
Transfers (out)	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>115,505</u>	<u>-</u>	<u>41,433</u>	<u>3,340,351</u>	<u>-</u>
Net change in fund balances	<u>359,864</u>	<u>741,884</u>	<u>(107,814)</u>	<u>293,174</u>	<u>221,135</u>
Fund balances – beginning	<u>(1,809,991)</u>	<u>808,173</u>	<u>122,769</u>	<u>329,898</u>	<u>523,151</u>
Fund balances – ending	<u>\$ (1,450,127)</u>	<u>1,550,057</u>	<u>14,955</u>	<u>623,072</u>	<u>744,286</u>

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
-	280,118	5,300,609	6,500,530	18,355,346	40,651,209
-	-	-	-	-	-
1,592,639	6,544,939	-	1,250	705	16,926,673
-	-	-	-	3,103,239	3,103,239
-	-	-	-	-	-
-	182,266	-	-	-	182,266
<u>1,592,639</u>	<u>7,007,323</u>	<u>5,300,609</u>	<u>6,501,780</u>	<u>21,459,290</u>	<u>60,863,387</u>
-	-	-	-	2,018,235	2,018,235
-	-	-	-	5,013,858	11,743,729
-	-	-	7,575,750	12,918,656	20,494,496
1,821,840	-	-	-	-	11,968,289
-	-	-	-	878,943	878,943
-	-	-	-	941,885	2,522,332
-	-	-	-	303,359	847,468
-	-	4,049,439	-	438,218	4,487,657
-	-	363,108	-	-	1,460,991
-	-	414,163	-	-	1,306,106
<u>1,821,840</u>	<u>-</u>	<u>4,826,710</u>	<u>7,575,750</u>	<u>22,513,154</u>	<u>57,728,246</u>
<u>(229,201)</u>	<u>7,007,323</u>	<u>473,899</u>	<u>(1,073,970)</u>	<u>(1,053,864)</u>	<u>3,135,141</u>
1,032	-	-	-	307,563	3,805,884
-	(8,254,480)	(395,214)	-	-	(8,649,694)
-	311,186	-	-	-	311,186
-	-	-	-	-	-
-	29,186	-	-	-	29,186
<u>1,032</u>	<u>(7,914,108)</u>	<u>(395,214)</u>	<u>-</u>	<u>307,563</u>	<u>(4,503,438)</u>
(228,169)	(906,785)	78,685	(1,073,970)	(746,301)	(1,368,297)
<u>1,590,650</u>	<u>12,058,988</u>	<u>91,955</u>	<u>2,129,945</u>	<u>6,911,884</u>	<u>22,757,422</u>
<u>1,362,481</u>	<u>11,152,203</u>	<u>170,640</u>	<u>1,055,975</u>	<u>6,165,583</u>	<u>21,389,125</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, 2010

	Capital Projects Funds				
	DCU Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	\$ -	3,272,335	-	-	21,746,824
Investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	600	-	-
Total revenues	<u>-</u>	<u>3,272,335</u>	<u>600</u>	<u>-</u>	<u>21,746,824</u>
Expenditures:					
Current:					
General government	-	-	429,204	110,980	-
Public safety	-	-	263,464	596,663	-
Health and human services	-	-	10,626	-	-
Education	-	-	2,436,638	545,618	23,398,691
Libraries	-	-	14,112	25,000	-
Public works	-	9,445,174	2,070,716	1,015,477	-
Culture and recreation	6,084,207	-	65,785	171,551	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>6,084,207</u>	<u>9,445,174</u>	<u>5,290,545</u>	<u>2,465,289</u>	<u>23,398,691</u>
Excess (deficiency) of revenues over expenditures	<u>(6,084,207)</u>	<u>(6,172,839)</u>	<u>(5,289,945)</u>	<u>(2,465,289)</u>	<u>(1,651,867)</u>
Other financing sources (uses):					
Transfers in	-	-	300,000	64,656	-
Transfers (out)	(1,428)	(423,000)	(184,110)	-	(14,462)
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	395,000	4,950,000	4,345,000	3,145,000	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>393,572</u>	<u>4,527,000</u>	<u>4,460,890</u>	<u>3,209,656</u>	<u>(14,462)</u>
Net change in fund balances	<u>(5,690,635)</u>	<u>(1,645,839)</u>	<u>(829,055)</u>	<u>744,367</u>	<u>(1,666,329)</u>
Fund balances – beginning	<u>355,187</u>	<u>(2,567,166)</u>	<u>(4,497,692)</u>	<u>(2,021,924)</u>	<u>(2,673,265)</u>
Fund balances – ending	\$ <u>(5,335,448)</u>	<u>(4,213,005)</u>	<u>(5,326,747)</u>	<u>(1,277,557)</u>	<u>(4,339,594)</u>

Capital Projects Funds

Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
1,720,540	-	-	-	26,739,699
-	-	-	63	63
-	-	-	-	-
-	-	-	-	-
-	86	-	-	686
<u>1,720,540</u>	<u>86</u>	<u>-</u>	<u>63</u>	<u>26,740,448</u>
-	-	-	-	540,184
-	-	15,028	-	875,155
-	-	-	-	10,626
-	-	-	-	26,380,947
-	-	-	-	39,112
4,733,062	-	-	702,171	13,233,538
-	-	-	-	11,054,605
-	-	-	1,630,057	1,630,057
-	-	-	-	-
-	-	-	-	-
<u>4,733,062</u>	<u>-</u>	<u>15,028</u>	<u>2,332,228</u>	<u>53,764,224</u>
<u>(3,012,522)</u>	<u>86</u>	<u>(15,028)</u>	<u>(2,332,165)</u>	<u>(27,023,776)</u>
434,750	-	12,221	1,360,000	2,171,627
-	-	-	-	(623,000)
-	-	-	-	-
1,525,000	-	940,000	1,870,000	17,170,000
-	-	-	-	-
<u>1,959,750</u>	<u>-</u>	<u>952,221</u>	<u>3,230,000</u>	<u>18,718,627</u>
(1,052,772)	86	937,193	897,835	(8,305,149)
(519,248)	2,452,583	(933,916)	(881,307)	(11,286,748)
<u>(1,572,020)</u>	<u>2,452,669</u>	<u>3,277</u>	<u>16,528</u>	<u>(19,591,897)</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, 2010

	<u>Permanent Funds</u>				
	<u>Hope Cemetery</u>	<u>Health Department</u>	<u>Libraries</u>	<u>Schools</u>	<u>Parks</u>
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Investment earnings	232,002	147,632	862,439	42,202	28,913
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	38,647	-	1,376	3,517	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>270,649</u>	<u>147,632</u>	<u>863,815</u>	<u>45,719</u>	<u>28,913</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	36,947	-	-	-
Education	-	-	-	1,050	-
Libraries	-	-	140,695	-	-
Public works	-	-	-	-	-
Culture and recreation	1,748	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>1,748</u>	<u>36,947</u>	<u>140,695</u>	<u>1,050</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>268,901</u>	<u>110,685</u>	<u>723,120</u>	<u>44,669</u>	<u>28,913</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(75,507)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>(75,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	193,394	110,685	723,120	44,669	28,913
Fund balances – beginning	<u>2,029,495</u>	<u>1,617,680</u>	<u>5,946,723</u>	<u>473,215</u>	<u>274,368</u>
Fund balances – ending	\$ <u><u>2,222,889</u></u>	<u><u>1,728,365</u></u>	<u><u>6,669,843</u></u>	<u><u>517,884</u></u>	<u><u>303,281</u></u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
-	-	-	-	-	67,390,908
608	26,165	38,307	561	1,378,829	1,378,892
-	-	-	-	-	16,926,673
-	-	-	-	-	3,103,239
-	3,240	-	-	46,780	46,780
-	-	-	-	-	182,952
<u>608</u>	<u>29,405</u>	<u>38,307</u>	<u>561</u>	<u>1,425,609</u>	<u>89,029,444</u>
-	-	-	-	-	2,558,419
-	-	-	-	-	12,618,884
-	-	-	1,000	37,947	20,543,069
-	-	-	-	1,050	38,350,286
-	-	-	-	140,695	1,058,750
-	35,021	-	-	35,021	15,790,891
-	-	-	-	1,748	11,903,821
-	-	-	-	-	6,117,714
-	-	-	-	-	1,460,991
-	-	-	-	-	1,306,106
<u>-</u>	<u>35,021</u>	<u>-</u>	<u>1,000</u>	<u>216,461</u>	<u>111,708,931</u>
<u>608</u>	<u>(5,616)</u>	<u>38,307</u>	<u>(439)</u>	<u>1,209,148</u>	<u>(22,679,487)</u>
-	-	-	-	-	5,977,511
-	-	-	-	(75,507)	(9,348,201)
-	-	-	-	-	311,186
-	-	-	-	-	17,170,000
-	-	-	-	-	29,186
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,507)</u>	<u>14,139,682</u>
608	(5,616)	38,307	(439)	1,133,641	(8,539,805)
<u>5,684</u>	<u>273,221</u>	<u>365,625</u>	<u>7,327</u>	<u>10,993,338</u>	<u>22,464,012</u>
<u>6,292</u>	<u>267,605</u>	<u>403,932</u>	<u>6,888</u>	<u>12,126,979</u>	<u>13,924,207</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Airport Enterprise Fund

Schedule of Revenues, Expenditures and
 Changes in Fund Balance –
 Budget and Actual – Budgetary Basis
 For the fiscal year ended June 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 559,850	559,850	618,193	58,343
Intergovernmental	1,814,622	1,814,622	1,412,840	(401,782)
Miscellaneous	289,771	289,771	438,660	148,889
Total revenues	<u>2,664,243</u>	<u>2,664,243</u>	<u>2,469,693</u>	<u>(194,550)</u>
Expenditures:				
Salaries and benefits	1,783,580	1,765,966	1,283,308	482,658
Ordinary maintenance	1,408,562	1,408,562	1,406,302	2,260
Debt service	575,731	593,345	593,345	-
Total expenditures	<u>3,767,873</u>	<u>3,767,873</u>	<u>3,282,955</u>	<u>484,918</u>
(Deficiency) of revenues over expenditures	<u>(1,103,630)</u>	<u>(1,103,630)</u>	<u>(813,262)</u>	<u>290,368</u>
Other financing sources (uses):				
Transfers in	1,182,925	1,305,703	1,305,703	-
Transfers (out)	(79,295)	(79,295)	(79,295)	-
Total other financing sources	<u>1,103,630</u>	<u>1,226,408</u>	<u>1,226,408</u>	<u>-</u>
Net changes in fund balance	-	122,778	413,146	290,368
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	<u>\$ -</u>	<u>122,778</u>	<u>413,146</u>	<u>290,368</u>

CITY OF WORCESTER, MASSACHUSETTS

Golf Course Enterprise Fund (nonmajor)

Schedule of Revenues, Expenditures and
Changes in Fund Balance –Budget and Actual – Budgetary Basis
For the fiscal year ended June 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,207,880	1,207,880	967,989	(239,891)
Miscellaneous	7,000	7,000	19,005	12,005
Total revenues	<u>1,214,880</u>	<u>1,214,880</u>	<u>986,994</u>	<u>(227,886)</u>
Expenditures:				
Salaries and benefits	323,571	323,571	289,843	33,728
Ordinary maintenance	649,802	649,802	632,909	16,893
Debt service	185,689	185,689	184,985	704
Indirect costs	31,187	31,187	31,187	-
Total expenditures	<u>1,190,249</u>	<u>1,190,249</u>	<u>1,138,924</u>	<u>51,325</u>
Excess (deficiency) of revenues over expenditures	<u>24,631</u>	<u>24,631</u>	<u>(151,930)</u>	<u>(176,561)</u>
Other financing sources (uses):				
Transfers in	-	176,561	176,561	-
Transfers (out)	(24,631)	(24,631)	(24,631)	-
Total other financing sources (uses)	<u>(24,631)</u>	<u>151,930</u>	<u>151,930</u>	<u>-</u>
Net changes in fund balance	-	176,561	-	(176,561)
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	<u>\$ -</u>	<u>176,561</u>	<u>-</u>	<u>(176,561)</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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 30,271,845	30,271,845	28,675,367	(1,596,478)
Miscellaneous	275,000	275,000	81,058	(193,942)
Total revenues	<u>30,546,845</u>	<u>30,546,845</u>	<u>28,756,425</u>	<u>(1,790,420)</u>
Expenditures:				
Salaries and benefits	5,512,595	5,512,595	5,357,981	154,614
Ordinary maintenance	15,963,686	15,963,686	15,284,270	679,416
Capital	24,500	24,500	12,639	11,861
Debt service	5,293,870	5,293,870	5,279,298	14,572
Indirect costs	3,187,212	3,187,212	3,187,212	-
Total expenditures	<u>29,981,863</u>	<u>29,981,863</u>	<u>29,121,400</u>	<u>860,463</u>
Excess of revenues over expenditures	<u>564,982</u>	<u>564,982</u>	<u>(364,975)</u>	<u>(929,957)</u>
Other financing sources (uses):				
Transfers in	-	913,879	913,879	-
Transfers (out)	(564,982)	(564,982)	(564,982)	-
Total other financing sources (uses)	<u>(564,982)</u>	<u>348,897</u>	<u>348,897</u>	<u>-</u>
Net changes in fund balance	-	913,879	(16,078)	(929,957)
Budgetary fund balance – beginning	<u>23,968</u>	<u>23,968</u>	<u>23,968</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 23,968</u>	<u>937,847</u>	<u>7,890</u>	<u>(929,957)</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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 25,722,464	25,722,464	22,953,126	(2,769,338)
Miscellaneous	640,000	640,000	1,077,555	437,555
Total revenues	<u>26,362,464</u>	<u>26,362,464</u>	<u>24,030,681</u>	<u>(2,331,783)</u>
Expenditures:				
Salaries and benefits	9,853,353	9,853,353	9,156,854	696,499
Ordinary maintenance	3,349,023	3,356,405	3,246,579	109,826
Capital	25,000	25,000	11,126	13,874
Debt service	10,254,852	10,254,852	10,244,502	10,350
Indirect costs	2,091,784	2,091,784	2,091,784	-
Total expenditures	<u>25,574,012</u>	<u>25,581,394</u>	<u>24,750,845</u>	<u>830,549</u>
Excess of revenues over expenditures	<u>788,452</u>	<u>781,070</u>	<u>(720,164)</u>	<u>(1,501,234)</u>
Other financing sources (uses):				
Transfers in	-	808,443	808,443	-
Transfers (out)	<u>(788,452)</u>	<u>(788,452)</u>	<u>(788,452)</u>	<u>-</u>
Total other financing sources (uses)	<u>(788,452)</u>	<u>19,991</u>	<u>19,991</u>	<u>-</u>
Net changes in fund balance	-	801,061	(700,173)	(1,501,234)
Budgetary fund balance – beginning	<u>706,780</u>	<u>706,780</u>	<u>706,780</u>	<u>-</u>
Budgetary fund balance – ending	<u>\$ 706,780</u>	<u>1,507,841</u>	<u>6,607</u>	<u>(1,501,234)</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)



CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Governmental activities capital assets, by type:		
Land	\$ 18,194,412	18,194,412
Buildings	319,579,551	325,908,879
Improvements other than buildings	20,177,950	17,330,918
Rolling equipment	5,717,809	5,619,818
Equipment and other	2,768,591	2,946,529
Infrastructure	88,907,768	87,446,622
Construction in progress	<u>59,942,760</u>	<u>25,378,291</u>
Total governmental activities capital assets	\$ <u>515,288,841</u>	<u>482,825,469</u>
Investments in governmental activities capital assets by source:		
General fund	\$ 716,352	771,492
Special revenue fund	47,777,008	49,033,484
Capital projects fund	465,924,454	432,049,887
Donations	<u>871,027</u>	<u>970,606</u>
Total governmental activities capital assets	\$ <u>515,288,841</u>	<u>482,825,469</u>

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2010

<u>Function and activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>
General government:			
Manager	\$ 3,525,231	-	-
Information Services	-	1,943,517	-
Law	-	-	-
Treasurer	-	-	-
Total general government	<u>3,525,231</u>	<u>1,943,517</u>	<u>-</u>
Public safety:			
Police	514,500	2,615,723	284,692
Fire	1,074,600	12,942,453	-
Code Inspection	209,905	465,895	-
Communications	-	-	-
Total public safety	<u>1,799,005</u>	<u>16,024,071</u>	<u>284,692</u>
Health and human services:			
Workforce Central	-	-	-
Health	-	-	-
Elder Affairs	-	2,015,184	38,869
Total health and human services	<u>-</u>	<u>2,015,184</u>	<u>38,869</u>
Public works	<u>3,489,339</u>	<u>36,511,704</u>	<u>386,096</u>
Education	<u>3,447,537</u>	<u>193,286,699</u>	<u>2,075,789</u>
Library	<u>305,000</u>	<u>16,361,496</u>	<u>-</u>
Culture and recreation:			
Auditorium	150,000	1,762,025	-
DCU Center	263,000	45,465,653	-
Hope Cemetery	290,000	886,674	-
Parks	4,925,300	5,322,528	17,392,504
Total culture and recreation	<u>5,628,300</u>	<u>53,436,880</u>	<u>17,392,504</u>
Total governmental activities capital assets	<u>\$ 18,194,412</u>	<u>319,579,551</u>	<u>20,177,950</u>

<u>Rolling equipment</u>	<u>Equipment and other</u>	<u>Infrastructure</u>	<u>Construction in progress</u>	<u>Total</u>
-	-	-	-	3,525,231
-	233,177	-	-	2,176,694
-	1,726	-	-	1,726
-	884	-	-	884
-	<u>235,787</u>	-	-	<u>5,704,535</u>
88,044	52,321	-	-	3,555,280
2,746,326	83,253	57,488	-	16,904,120
-	6,399	-	-	682,199
-	365,828	-	-	365,828
<u>2,834,370</u>	<u>507,801</u>	<u>57,488</u>	-	<u>21,507,427</u>
-	343	-	-	343
-	609	-	-	609
-	1,218	-	-	2,055,271
-	<u>2,170</u>	-	-	<u>2,056,223</u>
<u>2,273,355</u>	<u>135,063</u>	<u>88,801,705</u>	<u>21,881,128</u>	<u>153,478,390</u>
<u>301,507</u>	<u>1,027,800</u>	-	<u>34,097,524</u>	<u>234,236,856</u>
-	<u>578,430</u>	-	-	<u>17,244,926</u>
-	-	-	-	1,912,025
-	80,989	-	106,645	45,916,287
1,194	668	-	-	1,178,536
<u>307,383</u>	<u>199,883</u>	<u>48,575</u>	<u>3,857,463</u>	<u>32,053,636</u>
<u>308,577</u>	<u>281,540</u>	<u>48,575</u>	<u>3,964,108</u>	<u>81,060,484</u>
<u>5,717,809</u>	<u>2,768,591</u>	<u>88,907,768</u>	<u>59,942,760</u>	<u>515,288,841</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, 2010

<u>Function and activity</u>	<u>Governmental activities capital assets July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental activities capital assets June 30, 2010</u>
General government:				
Manager	\$ 3,525,231	-	-	3,525,231
Information Services	2,263,555	-	86,861	2,176,694
Law	6,747	-	5,021	1,726
Treasurer	1,474	-	590	884
Total general government	<u>5,797,007</u>	<u>-</u>	<u>92,472</u>	<u>5,704,535</u>
Public safety:				
Police	3,888,033	-	332,753	3,555,280
Fire	17,641,918	187,706	925,504	16,904,120
Code Inspection	738,015	-	55,816	682,199
Communications	396,051	82,175	112,398	365,828
Total public safety	<u>22,664,017</u>	<u>269,881</u>	<u>1,426,471</u>	<u>21,507,427</u>
Health and human services:				
Workforce Central	3,227	-	2,884	343
Health	9,700	-	9,091	609
Elder Affairs	2,274,065	-	218,794	2,055,271
Total health and human services	<u>2,286,992</u>	<u>-</u>	<u>230,769</u>	<u>2,056,223</u>
Public works	<u>142,989,060</u>	<u>19,886,781</u>	<u>9,397,451</u>	<u>153,478,390</u>
Education	<u>217,776,228</u>	<u>26,168,142</u>	<u>9,707,514</u>	<u>234,236,856</u>
Libraries	<u>18,016,118</u>	<u>-</u>	<u>771,192</u>	<u>17,244,926</u>
Culture and recreation:				
Auditorium	1,997,305	81,906	167,186	1,912,025
DCU Center	42,216,128	6,021,251	2,321,092	45,916,287
Hope Cemetery	1,216,343	-	37,807	1,178,536
Parks	27,866,271	5,661,730	1,474,365	32,053,636
Total culture and recreation	<u>73,296,047</u>	<u>11,764,887</u>	<u>4,000,450</u>	<u>81,060,484</u>
Total governmental activities capital assets	<u>\$ 482,825,469</u>	<u>58,089,691</u>	<u>25,626,319</u>	<u>515,288,841</u>

CITY OF WORCESTER, MASSACHUSETTS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash equivalents	\$ 455,780	484,583	(471,403)	468,960
LIABILITIES				
Accounts payable and accrued expenses	\$ 18,372	18,428	(18,372)	18,428
Due to student groups	437,408	466,155	(453,031)	450,532
Total liabilities	\$ 455,780	484,583	(471,403)	468,960

(THIS PAGE LEFT BLANK INTENTIONALLY)



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 schedules 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 schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	148
These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	151
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	154
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

(THIS PAGE LEFT BLANK INTENTIONALLY)



CITY OF WORCESTER, MASSACHUSETTS

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Table 1

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:										
Invested in capital assets, net of related debt	46,434	74,722	118,339	140,340	127,478	128,364	175,962	187,454	201,247	236,864
Restricted	25,386	19,749	11,862	13,305	39,064	29,255	45,711	65,072	42,371	29,804
Unrestricted	(49,242)	(62,653)	(91,985)	(109,751)	(114,087)	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)
Total governmental activities net assets	22,578	31,818	38,216	43,894	52,455	39,112	107,010	89,421	68,295	57,753
Business-type activities:										
Invested in capital assets, net of related debt	114,441	113,110	110,722	117,755	109,124	104,871	99,181	110,861	121,480	120,990
Restricted	378	420	413	253	2,749	-	-	-	-	-
Unrestricted	10,824	11,387	12,739	6,768	13,550	20,271	24,749	11,716	10,026	7,978
Total business-type net assets	125,643	124,917	123,874	124,776	125,423	125,142	123,930	122,577	131,506	128,968
Primary government:										
Invested in capital assets, net of related debt	160,875	187,832	229,061	258,095	236,602	233,235	275,143	298,315	322,727	357,854
Restricted	25,764	20,169	12,275	13,558	41,813	29,255	45,711	65,072	42,371	29,804
Unrestricted	(38,418)	(51,266)	(79,246)	(102,983)	(100,537)	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)
Total primary government net assets	148,221	156,735	162,090	168,670	177,878	164,254	230,940	211,998	199,801	186,721

CITY OF WORCESTER, MASSACHUSETTS

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

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)	2009	2010
Expenses										
Governmental activities:										
General government	\$ 18,882	20,689	14,195	14,458	16,316	18,222	19,583	22,268	23,416	20,862
Public safety	78,344	85,686	93,949	98,633	105,119	113,545	115,321	132,411	130,554	126,546
Health and human services	21,498	20,933	19,164	17,431	21,524	20,880	19,873	23,366	21,229	23,994
Education (1)	243,393	278,295	303,760	314,670	329,699	353,126	366,311	406,208	421,160	425,765
Libraries	5,278	6,193	6,837	6,719	6,941	7,323	7,735	8,347	9,015	8,384
Public works	26,223	22,126	26,567	34,274	31,077	27,027	26,954	34,727	41,457	33,387
Culture and recreation	6,928	7,104	7,676	9,354	7,684	8,471	10,886	11,548	7,460	11,634
Community development	5,117	4,518	4,002	4,429	4,189	3,565	3,873	4,764	4,942	6,118
Redevelopment	6,543	2,719	4,238	30	5,770	-	-	-	-	-
Interest on debt	24,792	24,624	24,913	24,626	25,734	25,336	25,283	25,366	24,534	25,351
Total governmental activities expenses	436,998	472,887	505,301	524,624	554,053	577,495	595,819	669,005	683,767	682,041
Business-type activities:										
Water	19,466	20,352	20,753	20,804	21,535	22,141	24,727	25,213	25,669	25,638
Sewer	14,767	16,731	16,310	17,238	22,719	24,352	28,309	29,258	31,134	32,742
Airport	3,857	4,906	4,389	3,958	4,158	4,527	4,360	4,703	5,082	5,047
Golf course (nonmajor)	984	1,215	1,082	1,030	1,026	1,164	1,180	1,227	1,148	1,122
Total business-type expenses	39,074	43,204	42,534	43,030	49,438	52,184	58,576	60,401	63,033	64,549
Total primary government expenses	\$ 476,072	516,091	547,835	567,654	603,491	629,679	654,395	729,406	746,800	746,590
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	7,118	7,858	11,652	12,043	12,997	12,940	13,925	13,580	11,813	13,536
Public works	5,135	5,219	4,510	6,337	6,674	7,436	8,005	9,160	11,078	10,970
Other activities	9,950	7,975	8,784	6,823	6,889	6,700	7,780	7,641	7,383	8,443
Operating grants and contributions (1)	222,313	251,539	277,029	284,486	303,411	295,107	315,692	326,260	345,103	348,563
Capital grants and contributions	2,781	2,315	2,338	4,539	5,160	5,217	65,551	28,979	23,187	28,084
Total governmental activities program revenues	247,297	274,906	304,313	314,228	335,131	327,400	410,953	385,620	398,564	409,596
Business-type activities:										
Charges for services:										
Water	19,249	21,686	22,534	23,154	24,132	22,735	24,623	24,251	24,993	24,102
Sewer	13,408	14,190	14,548	15,627	19,775	22,449	25,670	26,928	28,939	29,247
Airport	1,412	1,651	1,002	687	915	978	844	802	862	1,015
Golf course (nonmajor)	1,022	1,114	1,050	1,068	1,029	1,041	1,088	1,127	1,048	987
Operating grants and contributions	1,449	733	1,329	1,202	1,241	1,006	593	1,174	1,395	1,413
Capital grants and contributions	8,785	2,247	1,470	3,362	3,081	3,114	2,255	4,226	14,821	3,514
Total business-type activities program revenues	45,325	41,621	41,933	45,100	50,173	51,323	55,073	58,508	72,058	60,278
Total primary government program revenues	\$ 292,622	316,527	346,246	359,328	385,304	378,723	466,026	444,128	470,622	469,874

(continued)

CITY OF WORCESTER, MASSACHUSETTS

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

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)	2009	2010
Net (expense)/revenue										
Governmental activities	\$ (189,701)	(197,981)	(200,988)	(210,396)	(218,922)	(250,095)	(184,866)	(283,385)	(285,203)	(272,445)
Business-type activities	6,251	(1,583)	(601)	2,070	735	(861)	(3,503)	(1,893)	9,025	(4,271)
Total primary government net (expense)/ revenue	<u>\$ (183,450)</u>	<u>(199,564)</u>	<u>(201,589)</u>	<u>(208,326)</u>	<u>(218,187)</u>	<u>(250,956)</u>	<u>(188,369)</u>	<u>(285,278)</u>	<u>(276,178)</u>	<u>(276,716)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 134,677	139,027	144,316	156,461	161,648	171,490	179,130	188,930	197,472	205,558
Motor vehicle excise taxes	12,733	12,941	13,438	12,581	13,503	12,096	11,893	12,932	11,393	11,050
Intergovernmental	51,353	47,425	42,016	39,406	43,026	44,146	53,813	54,561	48,493	37,476
Other	10,661	8,685	7,174	6,458	9,073	9,493	10,060	9,000	6,269	9,505
Transfers (net)	(654)	(857)	442	1,168	88	(580)	(2,291)	(540)	96	(1,733)
Gain on sale of capital assets	-	-	-	-	-	-	-	622	296	-
Donations	-	-	-	-	145	107	159	291	58	47
Total governmental activities	<u>208,770</u>	<u>207,221</u>	<u>207,386</u>	<u>216,074</u>	<u>227,483</u>	<u>236,752</u>	<u>252,764</u>	<u>265,796</u>	<u>264,077</u>	<u>261,903</u>
Business-type activities										
Transfers (net)	654	857	(442)	(1,168)	(88)	580	2,291	540	(96)	1,733
Total primary government	<u>\$ 209,424</u>	<u>208,078</u>	<u>206,944</u>	<u>214,906</u>	<u>227,395</u>	<u>237,332</u>	<u>255,055</u>	<u>266,336</u>	<u>263,981</u>	<u>263,636</u>
Changes in Net Assets										
Governmental activities	\$ 19,069	9,240	6,398	5,678	8,561	(13,343)	67,898	(17,589)	(21,126)	(10,542)
Business-type activities	6,905	(726)	(1,043)	902	647	(281)	(1,212)	(1,353)	8,929	(2,538)
Total primary government	<u>\$ 25,974</u>	<u>8,514</u>	<u>5,355</u>	<u>6,580</u>	<u>9,208</u>	<u>(13,624)</u>	<u>66,686</u>	<u>(18,942)</u>	<u>(12,197)</u>	<u>(13,080)</u>

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

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

(concluded)

CITY OF WORCESTER, MASSACHUSETTS
Governmental Activities Tax Revenues by Source
Last 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
2001	\$ 134,677	12,733	766	-	-	148,176
2002	139,027	12,941	782	-	-	152,750
2003	144,316	13,438	713	-	-	158,467
2004	156,461	12,581	684	-	-	169,726
2005	161,648	13,503	753	-	-	175,904
2006	171,490	12,096	709	-	-	184,295
2007	179,130	11,893	845	-	-	191,868
2008	188,930	12,932	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

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

Table 4

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:										
Reserved	\$ 922	1,618	1,618	1,618	1,618	-	-	-	-	-
Unreserved	13,861	8,890	9,437	10,385	14,857	9,290	10,025	11,906	6,107	12,029
Total general fund	<u>\$ 14,783</u>	<u>10,508</u>	<u>11,055</u>	<u>12,003</u>	<u>16,475</u>	<u>9,290</u>	<u>10,025</u>	<u>11,906</u>	<u>6,107</u>	<u>12,029</u>
All other governmental funds:										
Reserved	\$ 20,505	24,515	28,180	32,861	37,387	29,102	34,323	30,418	34,077	24,963
Unreserved, reported in:										
Special revenue funds	15,163	13,748	18,526	20,103	20,646	18,056	11,171	13,438	17,974	18,098
Capital projects funds (1)	(11,024)	(17,383)	(13,988)	20,372	16,923	(12,039)	11,196	34,529	8,215	4,752
Permanent funds	604	742	127	88	60	153	191	125	79	89
Total all other governmental funds	<u>\$ 25,248</u>	<u>21,622</u>	<u>32,845</u>	<u>73,424</u>	<u>75,016</u>	<u>35,272</u>	<u>56,881</u>	<u>78,510</u>	<u>60,345</u>	<u>47,902</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.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Property taxes	\$ 133,885	140,712	148,322	156,945	163,706	171,484	177,781	189,419	197,777	204,832
Motor vehicle excise taxes	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,551
Other taxes and in-lieu payments	2,338	2,411	2,215	2,123	1,971	2,252	2,188	3,120	3,735	4,361
Penalties and interest on taxes	1,938	1,977	2,702	2,669	2,867	2,564	2,520	2,414	2,605	2,272
Licenses and permits	4,826	4,468	5,266	5,486	5,692	5,571	4,354	4,726	4,402	4,890
Intergovernmental (1) (2)	274,278	302,715	315,660	327,833	356,548	350,840	407,873	406,319	412,630	424,386
Charges for services	14,718	14,595	17,644	16,758	17,645	17,913	19,920	21,107	21,055	22,847
Fines and forfeitures	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190
Investment earnings	2,779	755	1,085	1,811	2,056	3,100	4,292	2,766	(929)	1,598
Donations	2,317	4,731	2,683	3,022	2,908	2,640	3,793	4,951	2,468	3,633
Contributions to permanent funds	442	62	65	48	145	107	159	291	58	47
Miscellaneous	2,541	1,713	1,215	1,224	3,063	1,725	1,295	1,013	1,246	1,621
Total revenues	454,546	489,352	513,578	533,678	572,627	573,619	639,868	652,111	659,554	685,228
EXPENDITURES										
General government	15,733	17,652	12,006	12,023	13,861	14,314	15,720	17,957	16,644	15,308
Public safety	65,427	74,806	75,079	72,876	79,286	82,119	87,316	93,942	92,323	89,308
Health and human services	18,646	17,967	17,001	14,055	18,545	17,045	16,470	19,649	18,172	21,118
Education	222,361	241,600	239,150	256,223	271,977	261,385	257,076	261,869	285,359	297,701
Libraries	16,210	10,392	6,745	4,651	4,686	5,087	5,474	5,626	6,008	5,611
Public works	22,845	21,069	24,026	24,833	29,652	29,629	44,611	49,363	39,126	39,087
Culture and recreation	8,212	9,083	6,046	6,663	9,609	6,236	8,729	9,140	10,745	15,341
Fringe benefits (1)	43,094	71,052	85,622	103,213	118,377	126,381	130,746	136,213	124,318	138,899
Community development	5,101	4,518	4,001	4,429	4,189	3,565	3,873	4,764	4,942	6,118
Redevelopment	6,543	2,719	4,238	30	5,769	-	-	-	-	-
State & regional charges (2)	2,132	2,276	2,424	14,909	16,514	19,445	20,551	23,914	26,102	26,865
Debt service:										
Principal	23,147	25,997	26,715	27,216	28,124	30,430	32,886	32,774	34,761	36,637
Interest	25,512	24,223	25,464	24,515	24,674	25,034	26,020	25,829	26,098	24,827
Total expenditures	474,963	523,354	528,517	565,636	625,263	620,670	649,472	681,040	684,598	716,820
Excess of revenues (under) expenditures	(20,417)	(34,002)	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)

(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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 9,819	12,576	17,947	14,248	17,608	14,048	13,968	21,296	23,452	21,954
Transfers (out)	(10,473)	(13,433)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)
Premium on issuance of bonds and notes	827	1,262	633	487	3,697	702	464	423	651	820
Sale of capital assets	-	-	-	-	-	-	-	1,366	325	29
Issuance of refunding bonds	-	11,135	9,345	-	18,241	55,960	-	-	542	-
Issuance of bonds and notes	48,414	25,695	25,665	72,440	54,915	-	33,775	50,067	-	25,955
Payments to refunded bond escrow agent	-	(11,135)	(9,345)	-	(18,241)	(55,960)	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	-	-	(535)	-
Total other financing sources	48,587	26,100	26,740	73,453	58,700	122	31,948	52,439	1,079	25,072
Net change in fund balances	\$ 28,170	(7,902)	11,801	41,495	6,064	(46,929)	22,344	23,510	(23,965)	(6,520)
Debt service as a percentage of noncapital expenditures	11.0%	10.4%	10.3%	9.9%	9.3%	9.4%	9.6%	9.2%	9.3%	9.3%

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

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

(concluded)

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

Table 6

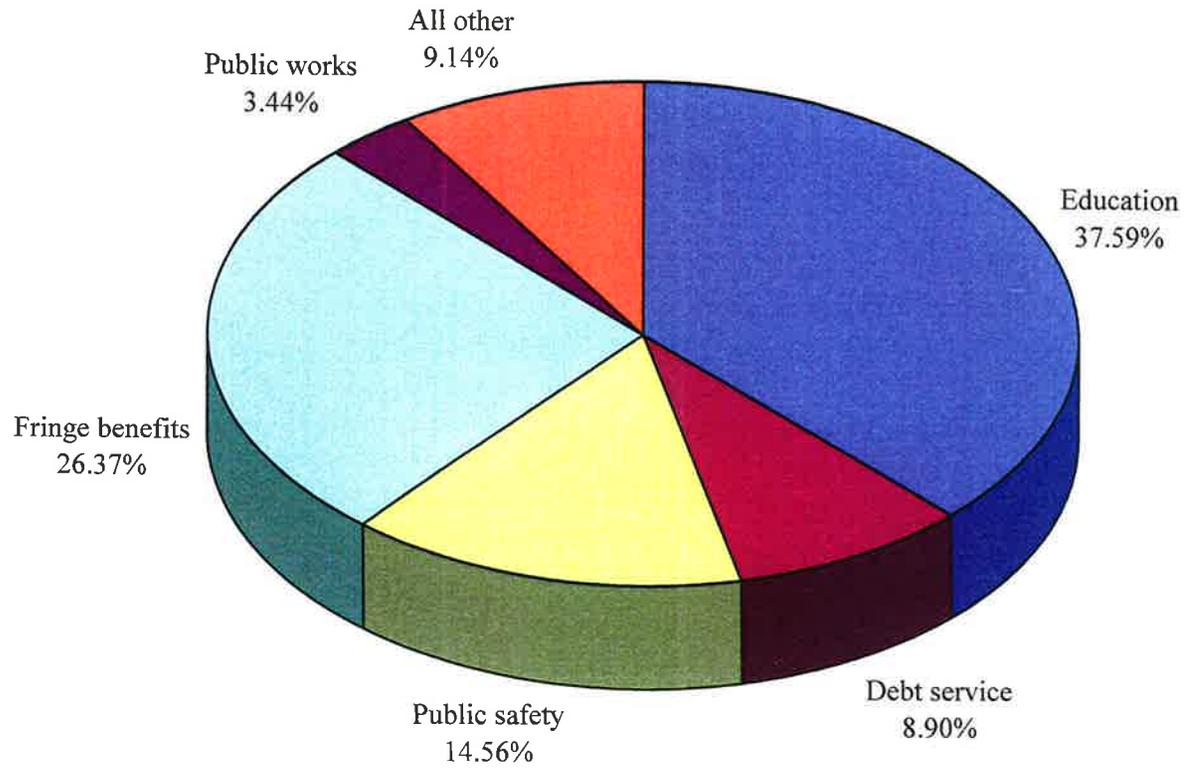
<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Motor Vehicle Excise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Meals Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2001	\$ 133,885	12,460	766	-	-	147,111
2002	140,712	13,091	782	-	-	154,585
2003	148,322	14,085	713	-	-	163,120
2004	156,942	13,205	684	-	-	170,831
2005	163,706	13,101	753	-	-	177,560
2006	171,484	12,189	709	-	-	184,382
2007	177,781	12,545	845	-	-	191,171
2008	189,419	12,677	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

(THIS PAGE LEFT BLANK INTENTIONALLY)



CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of
Accounting
Year ended June 30, 2010

Graph 1



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

Table 7

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	\$ 12,990	14,726	10,326	10,391	11,216	12,574	13,316	13,785	13,981	12,749
Public safety	58,025	62,954	64,045	63,359	64,776	71,360	74,813	78,576	79,656	76,689
Health and human services	5,426	5,595	3,658	2,841	2,805	3,629	3,832	3,776	2,639	575
Education	172,357	179,401	181,006	189,472	190,912	199,411	191,976	197,241	199,840	198,001
Libraries	3,717	4,183	4,093	3,771	3,816	4,195	4,518	4,533	4,937	4,552
Public works	17,165	14,848	17,598	15,086	19,000	17,537	16,610	20,121	22,491	18,096
Culture and recreation	4,111	4,238	3,880	3,068	3,305	3,484	3,923	3,867	4,079	3,403
Fringe benefits (1)	43,157	71,052	85,622	103,212	118,377	126,381	130,746	136,213	124,318	138,899
State and regional charges (2)	2,132	2,276	2,424	14,909	16,514	19,445	20,550	23,914	26,102	26,865
Debt service	44,488	44,501	44,971	44,299	44,478	44,114	45,466	45,328	45,523	46,853
Totals	\$ <u>363,568</u>	<u>403,774</u>	<u>417,623</u>	<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>

- (1) In fiscal year 2002 information concerning on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and was accounted for.
- (2) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues – Modified Accrual Basis of
Accounting
Year ended June 30, 2010

Graph 2

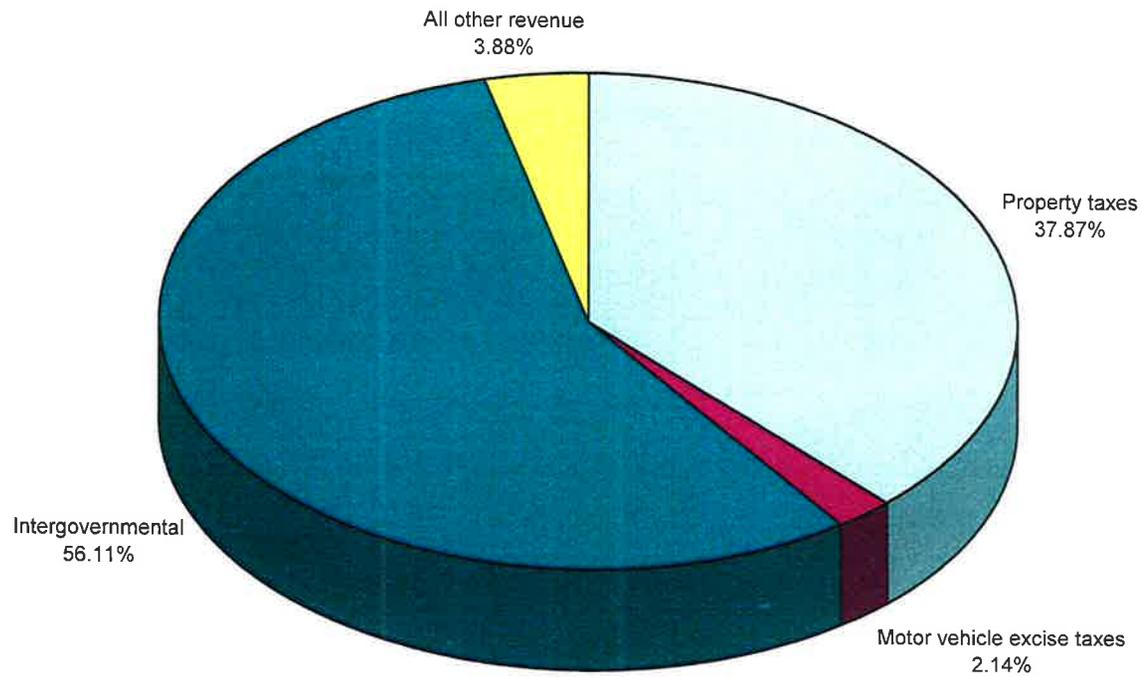


Table 8

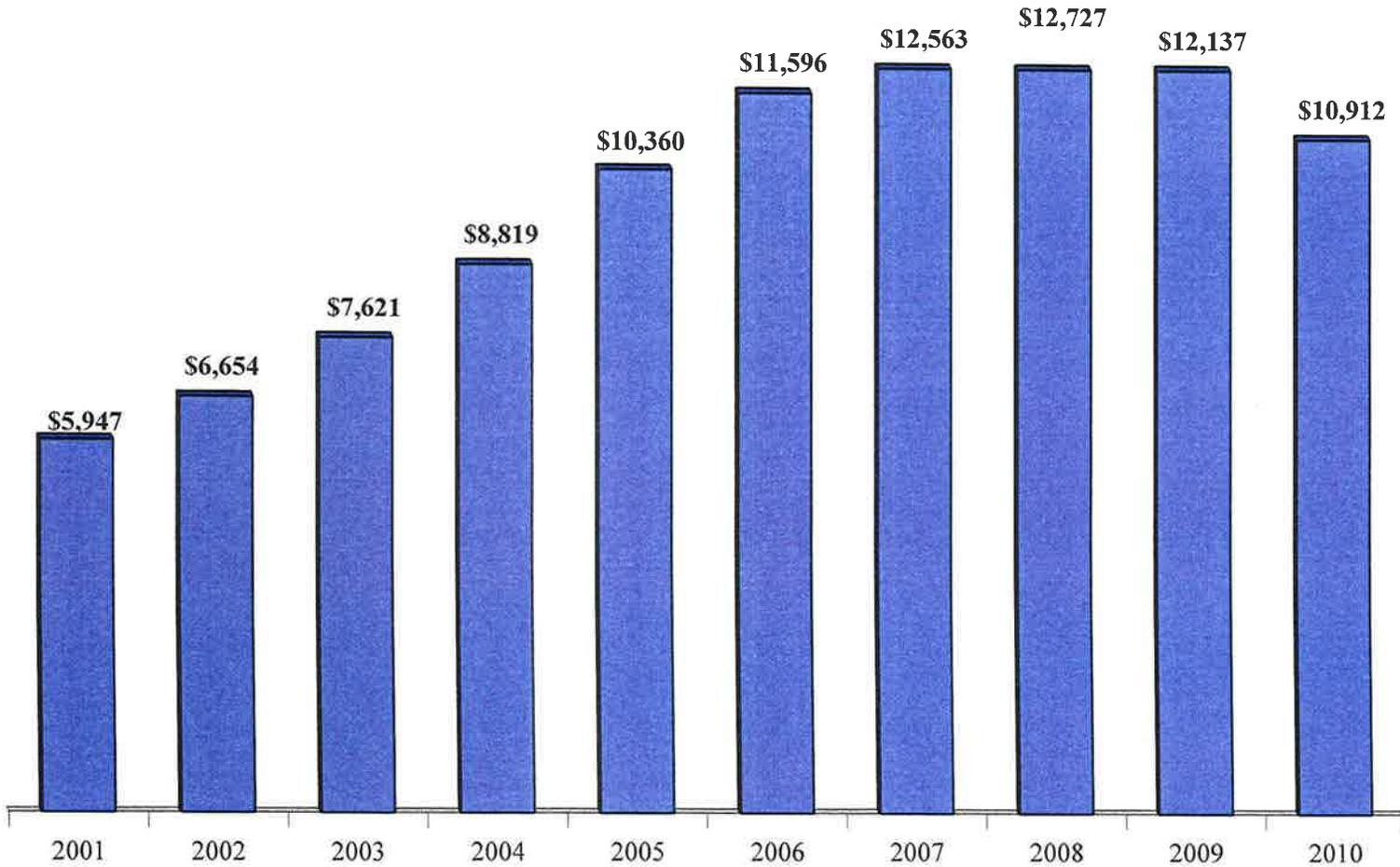
CITY OF WORCESTER, MASSACHUSETTS
 General Fund Revenues – Modified Accrual Basis of Accounting
 Last Ten Fiscal Years
 (Amounts expressed in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Property taxes	\$ 133,885	140,712	148,322	156,942	163,706	171,484	177,781	189,419	197,777	204,832
Motor vehicle excise taxes	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,550
Other taxes and in-lieu payments	2,338	2,411	2,215	2,123	1,971	2,252	2,188	2,556	2,529	3,208
Penalties and interest on taxes	1,938	1,977	2,702	2,670	2,867	2,564	2,520	2,414	2,605	2,272
Licenses and permits	4,577	4,468	5,266	5,486	5,692	5,571	4,355	4,726	4,402	4,890
Intergovernmental (1) (2)	206,423	232,834	241,946	268,001	280,301	293,362	295,983	311,475	295,327	303,512
Charges for services	2,355	2,477	3,613	3,864	4,052	3,760	5,684	6,232	5,918	5,909
Fines and forfeitures	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190
Investment earnings	2,921	1,321	664	476	1,170	2,140	2,349	1,806	462	105
Miscellaneous	2,218	1,257	895	733	1,079	852	1,093	773	790	1,438
Totals	\$ <u>371,139</u>	<u>402,670</u>	<u>422,344</u>	<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>

- (1) In fiscal year 2002 on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and were accounted for.
- (2) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

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							
2001	\$ 4,335,259	1,308,185	303,520	5,946,964	22.74	6,010,162	98.95%	\$ 1,689,279	7,636,243	22.12%
2002	4,984,353	1,355,745	314,115	6,654,213	21.27	6,010,162	110.72	1,830,384	8,484,597	21.57
2003	5,912,081	1,382,048	326,949	7,621,078	19.59	7,248,688	105.14	2,110,469	9,731,547	21.69
2004	7,036,273	1,446,202	336,277	8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
2005	8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86	2,445,616	12,805,705	19.10
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
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

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

Table 10

CITY OF WORCESTER, MASSACHUSETTS
Principal Taxpayers - Current Year and Nine Years Ago
June 30, 2010
(Amounts expressed in thousands)

Taxpayer	Type of business	2010				2001			
		Assessed valuation	Rank	Fiscal 2010 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2001 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 142,558	1	\$ 4,744	2.32%	\$ 123,818	1	\$ 4,240	3.13%
Verizon	Communications	54,440	2	1,812	0.88	56,622	2	1,939	1.43
Alexandria Real Estate Equities	Biotechnology park	54,378	3	1,810	0.88	-	-	-	-
NStar	Gas utility	53,083	4	1,767	0.86	40,052	6	1,372	1.01
V3B SA LLC (Lincoln Plaza)	Shopping mall	52,952	5	1,763	0.86	-	-	-	-
Hanover Insurance Group (Allmerica)	Insurance	50,952	6	1,676	0.82	48,485	3	1,659	1.23
VHS Acquisition (St. Vincent Hospital)	Medical care	44,871	7	1,493	0.73	34,364	8	1,167	0.86
Worcester TC LLC (Abbott Research)	Biotechnology research	42,479	8	1,414	0.69	-	-	-	-
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	35,084	9	1,167	0.57	48,297	4	1,654	1.22
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	32,390	10	1,078	0.53	43,546	5	1,461	1.10
BASF	Biotechnology research	-	-	-	-	38,050	7	1,303	0.96
Norton Company	Abrasives manufacturer	-	-	-	-	27,241	9	933	0.69
Charter Communications	Communications	-	-	-	-	16,692	10	572	0.42
	Totals	\$ 563,187		\$ 18,724	9.14%	\$ 477,167		\$ 16,300	12.05%

Source: Assessor's department

Table 11

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Six Fiscal Years*

(Amounts expressed in thousands)

Fiscal Year	Total tax levy for fiscal year	Collected within the Fiscal year of the levy		Collections in Subsequent Years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2005	\$ 162,051	158,415	97.76%	\$ 3,635	162,050	100.00%
2006	170,372	166,275	97.60	4,097	170,372	100.00
2007	179,240	173,398	96.74	5,848	179,246	100.00
2008	188,296	182,941	97.16	5,355	188,296	100.00
2009	196,989	191,875	97.40	4,592	196,467	99.74
2010	204,753	199,535	97.45	-	199,535	97.45

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

Table 12

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental activities		Business-type activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note			
2001	\$ 450,765	-	103,858	-	554,623	15.21%	\$ 3,212
2002	452,683	-	101,336	-	554,019	14.55	3,209
2003	451,740	-	101,169	-	552,909	14.51	3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	14.46	3,530
2008	507,329	5,800	133,942	906	647,977	14.49	3,753
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

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

(1) Source: Massachusetts Department of Workforce Development

Table 13**CITY OF WORCESTER, MASSACHUSETTS**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

<u>Fiscal year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Assessed Value (1)</u>	<u>Total Per capita (2)</u>
2001	\$ 554,623	9.23%	\$ 3,212
2002	554,019	9.22	3,209
2003	552,909	7.63	3,203
2004	496,683	5.63	2,830
2005	527,518	5.09	3,001
2006	498,472	4.30	2,834
2007	499,298	3.97	2,846
2008	516,435	4.06	2,942
2009	481,671	3.97	2,638
2010	471,073	4.32	2,579

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 Census

CITY OF WORCESTER, MASSACHUSETTS

Table 14

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

	<u>2001 (2)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit (1)	\$ 283,599	150,254	181,217	362,434	484,731	484,731	632,729	632,729	691,359	691,359
Total net debt applicable to limit	<u>250,307</u>	<u>125,014</u>	<u>170,375</u>	<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>
Legal debt limit	\$ <u>33,292</u>	<u>25,240</u>	<u>10,842</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	88.26%	83.20%	94.02%	49.77%	41.09%	42.94%	42.46%	42.45%	40.57%	38.17%

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized valuation - real estate and personal property (January 1, 2010)	\$	13,827,180
Debt limit - 5% of equalized valuation		691,359
Total bonded debt (including authorized and unissued of \$259,872)		849,244
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(456,131)
Less bonded debt authorized but not yet issued which is outside the debt limit		<u>(129,198)</u>
Legal debt margin	\$	<u>427,444</u>

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

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

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

Table 15

Fiscal Year	Population	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (2)	Median Age (2)	Public School Enrollment (3)	Unemployment Rate (4)
2001	173,025 (1)	\$ -	-	-	24,931	3.9%
2002	174,078 (1)	-	-	-	25,037	5.4
2003	175,071 (1)	-	-	-	24,885	7.0
2004	175,495 (1)	-	-	-	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	-	23,404	5.7
2007	175,454 (1)	4,216,455	24,032	-	23,682	6.3
2008	175,521 (1)	4,471,694	25,704	-	22,844	5.7
2009	182,596 (1)	4,742,672	27,099	-	23,126	9.3
2010	182,635 (1)	4,646,364	26,549	-	23,281	9.6

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

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

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

(4) Source: Massachusetts Department of Workforce Development

Table 16

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees
Last Ten Fiscal Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	236	241	201	189	188	197	200	201	175	176
Public safety										
Police										
Officers	472	459	424	468	456	468	465	448	438	415
Civilians	33	56	39	45	47	53	54	51	49	49
Fire										
Officers	456	445	398	429	421	410	402	403	384	385
Civilians	22	11	12	16	10	10	11	11	9	8
Other public safety	(1) 58	56	105	95	98	86	89	97	116	110
Health and human services	(1) 206	206	89	89	92	102	96	94	56	53
Education	4,060	4,111	3,905	3,821	3,698	3,658	3,506	3,384	3,433	3,446
Libraries	94	97	87	80	82	84	81	82	79	79
Public works	224	217	196	182	183	189	185	189	189	174
Culture and recreation	85	65	56	52	51	49	48	53	50	46
Water	126	120	117	114	112	111	106	105	111	109
Sewer	55	56	52	58	54	54	55	54	58	59
Airport	21	23	21	16	16	18	17	16	16	17
Golf course	3	3	3	2	3	3	3	2	2	2
Totals	<u>6,151</u>	<u>6,166</u>	<u>5,705</u>	<u>5,656</u>	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>	<u>5,165</u>	<u>5,128</u>

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

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

Table 17

CITY OF WORCESTER, MASSACHUSETTS

Principal Employers
Current year and nine years ago

Employer	Type of business	2010			2001		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care	Health care	13,764	1	18.37%	7,000	1	9.40%
University of Massachusetts Medical School	Education	5,678	2	7.58	4,523	3	6.07
City of Worcester	Government and education	5,128	3	6.84	6,151	2	8.26
Saint Vincent's Hospital	Health care	2,386	4	3.18	2,594	5	3.48
Hanover Insurance Group	Insurance	1,850	5	2.47	3,300	4	4.43
Saint Gobain (formerly Norton Co.)	Abrasives manufacturer	1,807	6	2.41	2,000	7	2.68
Fallon Clinic	Health care	1,801	7	2.40	2,281	6	3.06
Polar Beverages	Bottling company	1,400	8	1.87	-	-	-
College of the Holy Cross	Education	1,107	9	1.48	1,001	10	1.34
Quinsigamond Community College	Education	900	10	1.20	-	-	-
Massachusetts Electric Company	Utility	-	-	-	1,803	8	2.42
Price Chopper	Supermarket	-	-	-	1,198	9	1.61

Sources: 2010 - Worcester Business Journal
2001 - Worcester Area Chamber of Commerce

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police (1), (2)										
Total arrests	8,108	7,759	8,033	6,482	7,014	7,853	8,581	9,360	8,658	7,183
Different individuals arrested	6,081	5,938	6,041	5,154	5,366	5,916	6,671	7,082	6,584	5,583
Arrests for selected charges										
Drug-related	2,122	2,403	2,792	1,611	1,638	2,829	2,668	2,574	2,582	N/A
Aggravated assault	629	579	667	633	540	679	571	679	704	N/A
Disorderly conduct, disturbing peace	1,563	1,654	1,679	1,357	1,351	1,071	1,201	1,291	1,210	N/A
Prostitution and related	152	204	230	195	234	232	178	214	223	N/A
Sexual assault, including rape	34	43	59	23	22	33	29	41	39	N/A
Armed robbery	48	54	52	73	73	57	66	70	43	N/A
Murder /manslaughter, attempted murder	26	33	46	24	46	7	14	6	12	N/A
Fire (1)										
Total Incidents	32,681	33,054	29,350	22,839	21,778	22,076	22,498	24,735	29,002	28,755
Selected incidents										
EMS	13,516	13,377	14,624	16,038	15,383	14,558	15,654	15,086	18,167	17,169
Structure fires	799	797	716	454	417	749	681	663	828	618
Arson fires	25	30	43	42	31	29	28	29	37	20
Vehicle fires	320	284	269	206	184	184	139	132	120	83
Good intent	2,092	2,201	3,658	1,019	1,149	1,322	1,514	1,452	1,665	1,013
False alarm	1,708	1,632	1,591	1,542	1,705	3,102	2,971	3,134	3,849	2,754
Highways and streets										
Streets and resurfacing (1), (3)	8	8	9	16	14	14	15	15	14	11
Potholes repaired	11,481	9,105	13,268	15,596	7,895	13,403	11,489	13,088	12,030	14,932
Sanitation										
Refuse collected (tons/day)	109.39	112.70	106.62	107.05	104.15	102.78	100.30	91.06	88.65	82.30
Recyclable collected (tons/day)	43.04	36.70	36.99	38.71	37.70	37.20	34.77	36.07	33.97	34.71
Water										
New connections	312	377	389	463	454	373	271	239	188	48
Water main breaks	288	199	61	65	76	50	56	55	72	52
Average daily consumption (thousands of gallons)	22,589	23,578	24,091	23,932	23,595	22,681	22,187	22,960	22,264	21,225
Wastewater										
Average daily sewage treatment (thousands of gallons)	30,541	33,195	31,944	27,743	31,364	30,156	33,200	31,700	34,600	31,160

Source: Various government departments

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

N/A Data was not available for Fiscal 2010.

CITY OF WORCESTER, MASSACHUSETTS

Table 19

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	12	11	11	11	11	11	10	10
Education:										
Schools	52	52	52	49	49	49	45	46	46	45
Libraries	3	3	3	3	3	3	3	3	3	3
Public works										
Streets:										
Streets (miles)	423	411	411	414	414	416	418	420	423	424
Sidewalks (miles)	606	606	606	473	473	478	480	483	487	487
Streetlights	12,716	12,752	12,772	12,972	12,994	13,238	13,275	13,321	13,321	13,759
Water:										
Main pipes (miles) (1)	655	659	614	592	592	592	582	582	584	585
Fire hydrants (2)	5,095	5,490	5,481	5,940	5,940	5,951	5,658	5,675	5,680	5,726
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)	381	381	387	389	390	392	392	393	396	396
Combined sewers (miles)	61	65	65	66	65	65	65	61	61	61
Surface sewers (miles)	353	353	358	361	362	364	364	368	370	371
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard							981	981	981	981
Union Station										500
Culture and recreation										
Parks	52	52	53	54	54	56	60	60	60	60
Parks and playground acreage	1,280	1,285	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,316
DCU Center										
Seating capacities										
Center stage	15,011	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,500
End stage	14,500	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,800	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,405	12,239	12,239	12,239	12,239	12,239	12,800	12,800	12,800	12,055
Hockey with closed curtain							6,880	6,880	6,880	5,350
Arena football							12,330	12,330	12,330	12,330
Ice show	13,033	11,888	11,888	11,888	11,888	11,888	11,888	11,888	11,888	11,888
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

- (1) Beginning in fiscal year 2007, service laterals, hydrant laterals and fire pipes were not included in the miles of water mains
- (2) Beginning in fiscal year 2007, private hydrants were not included in the number of fire hydrants.