

CITY OF WORCESTER

MASSACHUSETTS



M A S S A C H U S E T T S

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2009

Prepared by:

The Office of the City Auditor
City of Worcester, Massachusetts

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeISIGNORE

CITY AUDITOR

THOMAS J. CLAWSON

DEPUTY CITY AUDITOR

October 31, 2009

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, 2009 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, 2009 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, 2009. 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 182,596, according to a 2008 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 88 through 96 as part of required supplementary information.

Local economy

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

Worcester has ten colleges and universities, most of which have been continually expanding. For example, the University of Massachusetts Medical School is now finishing the construction of a \$95 million 258,000 square foot advanced education and clinical practice center and has started to construct a \$405 million 500,000 square foot science and research facility on its campus. Worcester Polytechnic Institute has recently finished constructing housing and parking for an additional 300 students at a cost of \$44 million and is proposing a \$53 million recreation center on its campus. Also, the college of the Holy Cross is now constructing a \$60 million science center.

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

Factors Affecting Financial Condition

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

In January 2000, the Massachusetts Port Authority (Massport) took over the operation of the City's airport. This was a five-year agreement in which Massport also assumed a share of any airport-operating deficit. The contract was extended through December 2008 with Massport picking up 79% of any airport operating deficit, exclusive of debt service. As part of recently approved state transportation legislation, ownership of the airport will be transferred from the City to Massport no later than June 30, 2010. Negotiations for a mutually agreed purchase price are ongoing. The carrying value of the airports' net assets could be impaired without the continuing support of Massport.

A few years ago the City's 20-acre downtown mall and office complex was purchased by a developer who plans to demolish the retail part of the complex and replace it with mixed uses including office, retail, entertainment and housing. The new complex is to be called CitySquare. The developer's total investment in the project is estimated to be about \$470 million over a period of 6 to 8 years. The City is to contribute about \$61 million, the state \$25 million and federal government \$3.5 million mainly for the cost of demolition, infrastructure and an underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs. It was originally thought that demolition could start in the winter or spring of 2007 but the developer has yet to secure enough tenants to trigger financial support from the City for this phase of the project. In fiscal 2009, the City expended \$445 thousand to oversee CitySquare activities and has expended \$7.98 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 as property values fell to \$12.137 billion or 4.6% from the previous year's value.

Awards and Acknowledgements

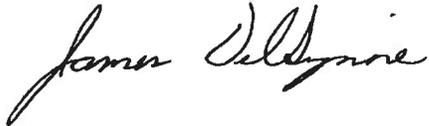
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2008. The Certificate of Achievement is a prestigious national 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 sixteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "James A. DelSignore". The signature is written in black ink and is positioned below the "Respectfully submitted," text.

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2009

Council – Manager Form of Government

CITY COUNCIL

Konstantina B. Lukes, Mayor

Councilors-at-Large

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

District Councilors

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

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

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

Michael T. Hennessy
Kim Laino

Chief Accountant
Systems Accountant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

PURCHASING AGENT

John C. Orrell

ASSESSOR

Robert J. Allard

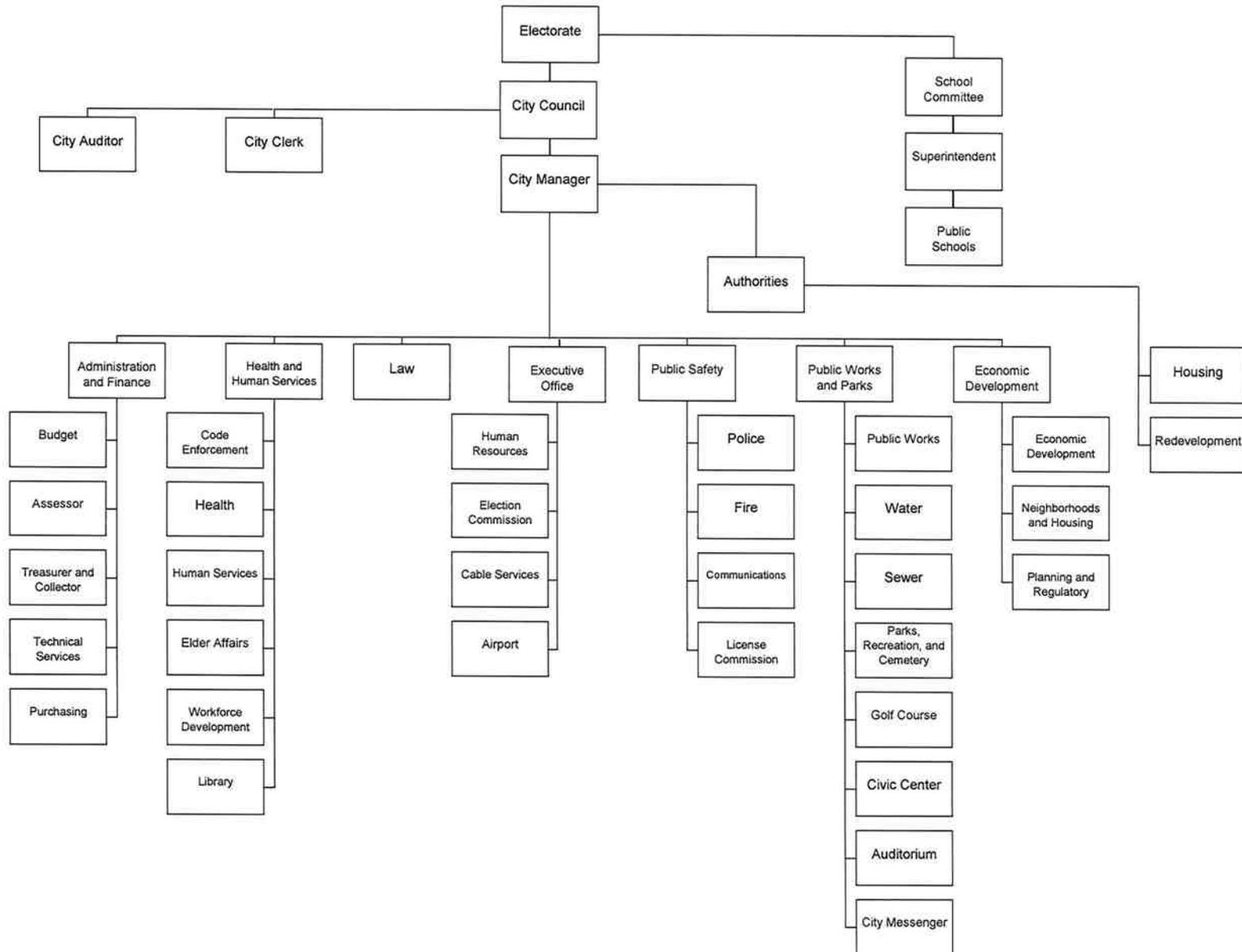
DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

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, 2008

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.



President

Executive Director

FINANCIAL SECTION



Certified Public Accountants

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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, 2009 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2008), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009 (except for the Worcester Contributory Retirement System, which is as of December 31, 2008) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary statements and schedules, and statistical tables and graphs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



October 31, 2009

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(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, 2009 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 2009 by \$199,801.
- The City's total net assets decreased by \$12,197 or 5.8% during the year.
- At the end of fiscal 2009, unreserved fund balance for the general fund was \$6,107 or 1.2% of total general fund revenues.
- The City's total capital assets increased by \$25,019 or 3.6% during fiscal 2009.
- The City's total debt decreased by \$44,176 or 6.8% during fiscal 2009.

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 2009. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

- **Governmental activities** – Governmental activities of the City such as general government, public works, public safety, public roads, sanitation, education, health, recreation, and culture are reported here. Property taxes, state aid, and local fees and charges finance most of these activities.
- **Business-type activities** – The City charges fees to users to help it cover costs of certain services it provides. The City's water, sewer, airport and golf course (nonmajor) operations are included here.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

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

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

Fund Financial Statements

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

Governmental funds – Similar to the 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 and the stabilization fund, each of which are considered major funds. Data from the 29 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

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

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

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

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

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

The notes to the basic financial statements can be found on pages 37 through 87.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which includes the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis and certain pension information.

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

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$199,801 at the close of the most recent fiscal year.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

	Net assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 283,147	283,040	33,074	32,385	316,221	315,425
Capital assets	482,826	470,711	244,397	231,493	727,223	702,204
Total assets	<u>765,973</u>	<u>753,751</u>	<u>277,471</u>	<u>263,878</u>	<u>1,043,444</u>	<u>1,017,629</u>
Long-term liabilities	603,934	592,512	130,092	137,583	734,026	730,095
Other liabilities	93,745	71,818	15,873	3,717	109,618	75,535
Total liabilities	<u>697,679</u>	<u>664,330</u>	<u>145,965</u>	<u>141,300</u>	<u>843,644</u>	<u>805,630</u>
Net assets:						
Invested in capital assets, net of related debt	310,434	297,706	121,480	110,861	431,914	408,567
Restricted	42,371	65,072	-	-	42,371	65,072
Unrestricted	<u>(284,510)</u>	<u>(273,357)</u>	<u>10,026</u>	<u>11,716</u>	<u>(274,484)</u>	<u>(261,641)</u>
Total net assets	\$ <u>68,295</u>	<u>89,421</u>	<u>131,506</u>	<u>122,577</u>	<u>199,801</u>	<u>211,998</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 (\$274,484). However, this balance includes outstanding pension obligation bonds of \$174,259 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 \$23,111 and \$3,496, respectively, at year's end. Additionally, the City has a note payable of \$4,706 for improvement to neighborhood assets it does not own and bonds of \$8,641 for the CitySquare project and \$920 for the Blackstone Valley Visitors Center, which will not be City owned. There was also \$10,257 of unspent capital debt at the end of the year. Absent the fore mentioned debt, there is (\$49,094) of unrestricted net assets.

At the end of fiscal 2009, 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 \$22,701 as balances restricted for renewal and replacement decreased by \$26,315, which was primarily because temporary debt outstanding of \$28,594 at year end was financed with permanent debt after the reporting period as opposed to the previous year when temporary debt was financed with permanent debt before the reporting period. State and federal grants balances increased \$5,706 and permanent fund balances were decreased by \$2,093 mainly because of investment losses of \$1,904.

The City's total net assets decreased by \$12,197, or 5.8%.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 30,274	30,381	55,842	53,108	86,116	83,489
Operating grants and contributions	346,309	326,824	1,395	1,174	347,704	327,998
Capital grants and contributions	23,187	28,979	14,821	4,226	38,008	33,205
General revenues:						
Property taxes	197,472	188,930	—	—	197,472	188,930
Motor vehicle excise taxes	11,393	12,932	—	—	11,393	12,932
Intergovernmental	48,493	54,561	—	—	48,493	54,561
Other	5,063	8,436	—	—	5,063	8,436
Total revenues	<u>662,191</u>	<u>651,043</u>	<u>72,058</u>	<u>58,508</u>	<u>734,249</u>	<u>709,551</u>
Expenses:						
General government	23,416	22,268	—	—	23,416	22,268
Public safety	130,554	132,411	—	—	130,554	132,411
Health and human services	21,229	23,366	—	—	21,229	23,366
Education	421,160	406,208	—	—	421,160	406,208
Libraries	9,015	8,347	—	—	9,015	8,347
Public works	41,457	34,727	—	—	41,457	34,727
Culture and recreation	7,460	11,548	—	—	7,460	11,548
Community development	4,942	4,764	—	—	4,942	4,764
Interest on long-term debt	24,534	25,366	—	—	24,534	25,366
Water	—	—	25,669	25,213	25,669	25,213
Sewer	—	—	31,134	29,258	31,134	29,258
Airport	—	—	5,082	4,703	5,082	4,703
Golf course	—	—	1,148	1,227	1,148	1,227
Total expenses	<u>683,767</u>	<u>669,005</u>	<u>63,033</u>	<u>60,401</u>	<u>746,800</u>	<u>729,406</u>
Change in net assets before transfers, contributions and gain on sale of capital assets	(21,576)	(17,962)	9,025	(1,893)	(12,551)	(19,855)
Transfers	96	(540)	(96)	540	—	—
Gain on sale of capital assets	296	622	—	—	296	622
Contributions	58	291	—	—	58	291
Change in net assets	<u>(21,126)</u>	<u>(17,589)</u>	<u>8,929</u>	<u>(1,353)</u>	<u>(12,197)</u>	<u>(18,942)</u>
Net assets – beginning	89,421	107,010	122,577	123,930	211,998	230,940
Net assets – ending	<u>\$ 68,295</u>	<u>89,421</u>	<u>131,506</u>	<u>122,577</u>	<u>199,801</u>	<u>211,998</u>

Governmental activities – Governmental activities decreased the City's net assets by \$21,126. The key elements of this decrease are as follows:

Total revenues were \$662,191, which was an \$11,148 or 1.7% increase from the previous fiscal year. Property tax revenue increased by \$8,542 or 4.5%, primarily because of an increase in taxes levied along with billings of back taxes. Operating grants and contributions increased by \$19,485 or 6.0% due primarily to an increase of \$18,530 in grants for schools. Capital grants and contributions decreased by \$5,792 or 20.0% as the prior year was propped up a bit above normal by the receipt of a grant for the construction of the Union Station Garage.

CITY OF WORCESTER, MASSACHUSETTS

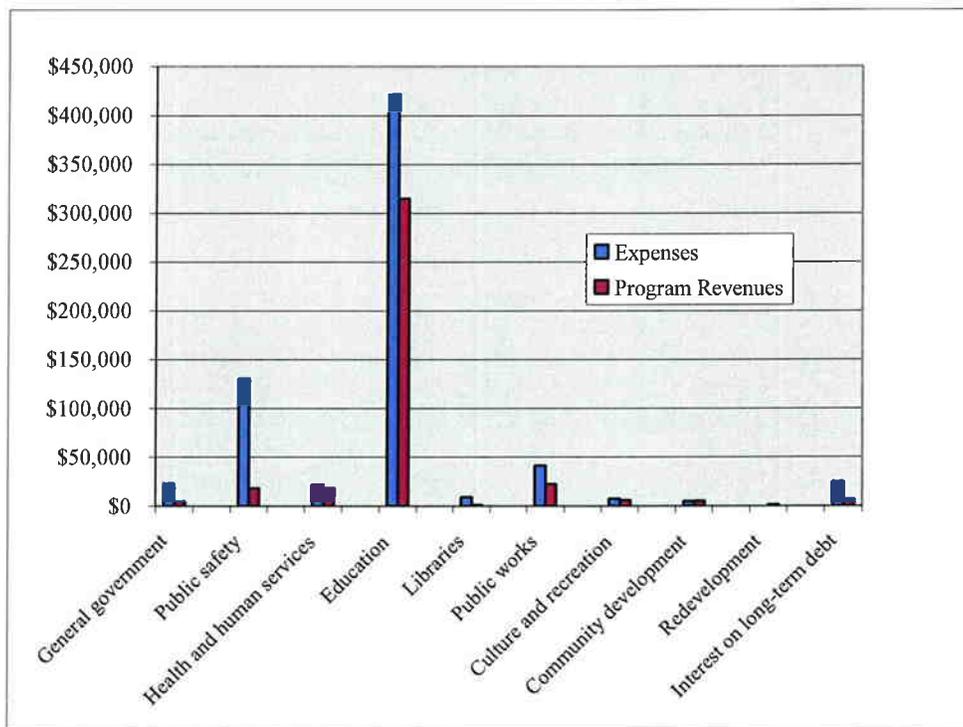
Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

Total expenses were \$683,767, which was a \$14,762 or 2.2% increase from the previous fiscal year. Educational expenses increased by \$14,952 or 3.7% primarily because of increased salary and fringe benefit costs. Public works expenses increased by \$6,730 or 19.4% primarily because of increased maintenance and snow removal costs.

FY 2009 Expenses and Program Revenues– Governmental Activities



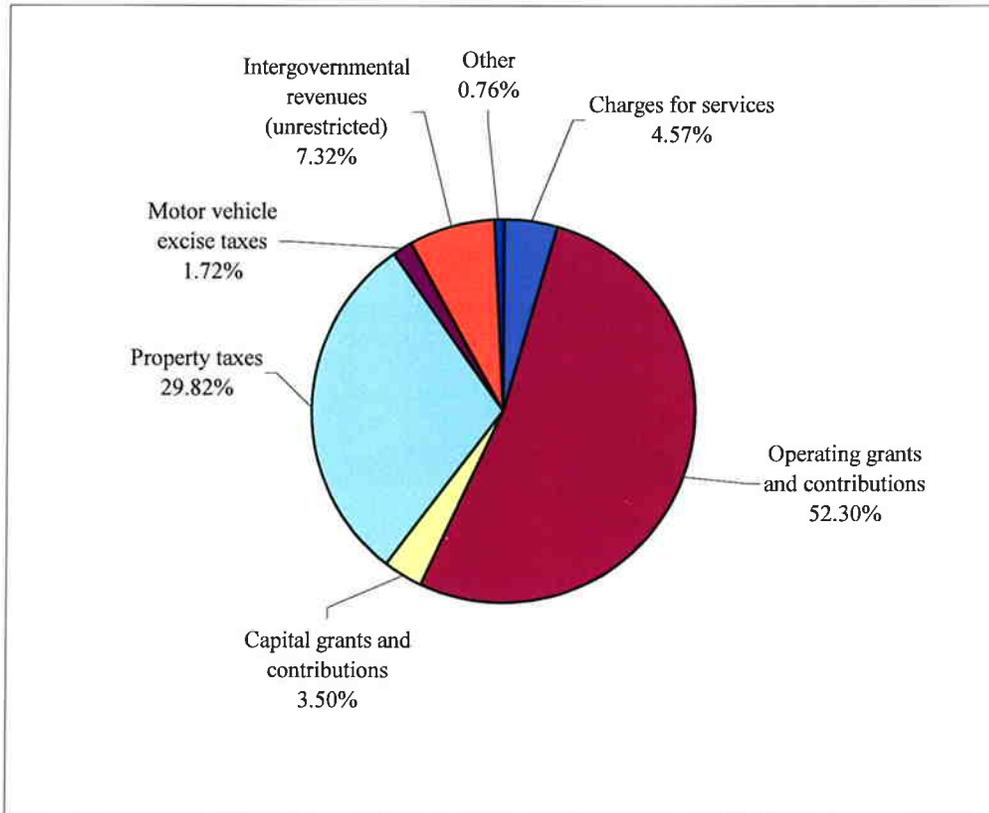
CITY OF WORCESTER, MASSACHUSETTS

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June 30, 2009

(In thousands of dollars)

FY 2009 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities increased the City's net assets by \$8,929. Factors contributing to these results are as follows:

- The water fund had operating income of \$2,855 and had an increase in net assets of \$618. This follows the previous year's \$183 increase in net assets with an operating income of \$2,619.
- The sewer fund had an operating loss of \$127 compared with a loss of \$338 in the previous year. Net assets increased by \$24, which follows the previous year's \$795 decrease.
- The airport fund had an operating loss of \$4,026 that was partially offset by \$2,579 of subsidies from Massport and the City. Net assets increased by \$8,301 primarily because of asset additions funded by capital grants.
- The golf course fund (nonmajor) had a decrease of net assets of \$14, which followed a decrease of \$29 in net assets the previous year.

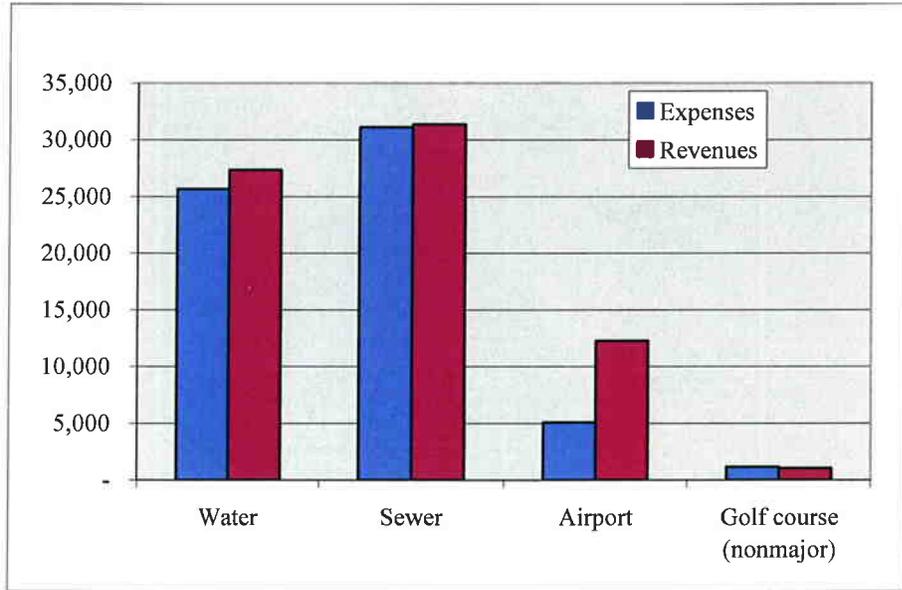
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

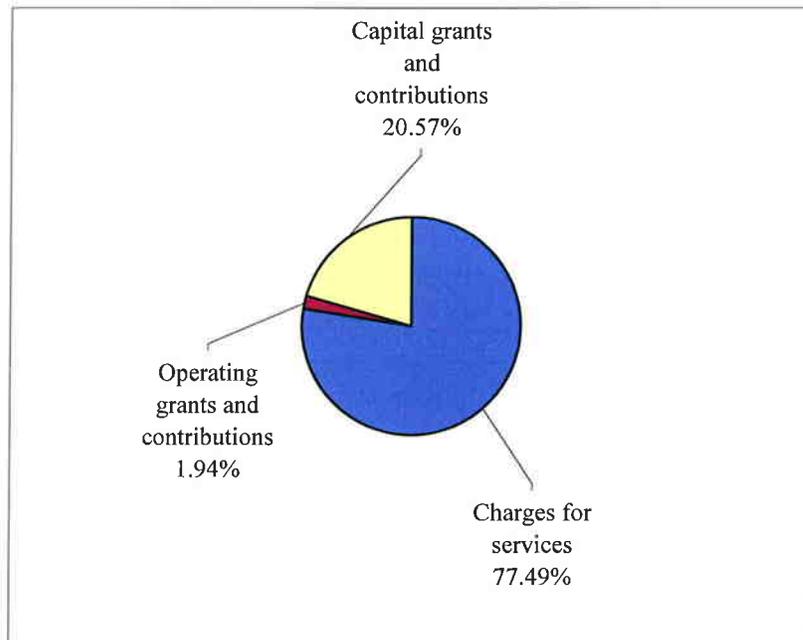
June 30, 2009

(In thousands of dollars)

FY 2009 Expenses and Program Revenues – Business-type Activities



FY 2009 Revenues by Source – Business-type Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(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 2009, the City's governmental funds reported combined ending fund balances of \$66,452 a decrease of \$23,965 from fiscal 2008. Exclusive of the nonmajor capital projects funds deficit, 56.2% of fund balance or \$43,661 is available for spending at the City's discretion (unreserved fund balance). The nonmajor capital projects funds deficit of \$11,287 will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds. The remaining \$34,077 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 \$10,914; and 2) for state and federal grants \$23,163.

The general fund is the chief operating fund of the City. At the end of fiscal 2009 unreserved fund balance of the general fund was \$6,107 or 1.2% of total general fund revenues. During fiscal 2009 the City's general fund balance decreased by \$5,799. Total revenues exceeded expenditures by \$751, while transfers out exceeded transfers in by \$6,853. The general fund also received a premium on the issuance of bonds of \$303.

CitySquare had a fund balance of \$19,501 at the end of fiscal 2009, a \$608 or 3.0% decrease from the previous year. During the year there was interest income of \$511 while \$445 was spent on project management and \$674 was transferred out to fund debt service payments.

The stabilization fund had a fund balance of \$4,350 at the end of fiscal 2009, a \$1,122 or 34.8% increase from the previous year. During the year \$1,206 in intergovernmental revenue was received and there was \$11,415 in net transfers to and from the general fund. Debt service expenditures were \$11,499.

Other governmental funds had a fund balance of \$36,493 at the end of fiscal 2009, an \$18,681 decrease from the previous year. The capital projects funds fund balance was decreased by \$25,707 due primarily to the fact that refinancing of \$20,420 of temporary debt outstanding as of June 30 was done after the reporting date. In the previous year the refinancing of temporary debt took place before the reporting date. Additionally, a prior year residual balance of \$4,909 was spent on school construction. The special revenue fund increased by \$9,119, primarily because of an increase of year end balances of \$1,937 in receipts reserved for appropriation, \$766 in workforce central \$663 in the school lunch account, \$539 in school revolving accounts and \$5,437 in school grants. Permanent funds decreased by \$2,093 as investment losses, transfers out and expenditures exceeded contributions and transfers in.

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, 2009

(In thousands of dollars)

Net assets of the enterprise funds at the end of fiscal 2009 totaled \$131,506. This was an \$8,929 increase from the previous year. The golf course fund (nonmajor) had a decrease of (\$14), while the other three had increases of \$24 in the sewer fund, \$8,301 in the airport fund and \$618 in the water fund. Unrestricted net assets consisted of \$3,741 in the water fund, \$6,831 in the sewer fund, (\$462) in the airport fund and (\$84) 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 \$17,958 lower than the original amount. There were several minor tweaks to the original budget but the major factor in reducing the budget was that federal stimulus money was used to supplant \$18,982 of state school local aid. The stimulus revenue and related expenditures (\$9,912 for health insurance and \$9,070 for ordinary maintenance) are shown in the special revenue fund. This stimulus funding was originally planned to be used in fiscal 2011.

The final general fund expenditure budget was \$15,710 lower than the original. As mentioned above \$18,982 of federal stimulus money was used to supplant general fund revenues and expenditures and is instead shown in the special revenue fund reducing the general fund expenditure budget as well. The largest budget increase was in the snow removal account, which increased by \$1,648; \$1,167 of which came from the federal government in emergency relief.

The general fund balance had a budgetary basis decrease of \$5,289 during the year to an ending balance of \$5,308. There was a mid-year state local aid cut of \$5,040 in discretionary aid and other state aid accounts such as police career incentive (\$695). School construction aid was also short of budget estimates of \$1,023. Motor vehicle excise revenue was \$692 less than budgeted and investment earnings were \$1,338 less than the budget as interest rates dropped dramatically during the year. Trash bag revenue was \$686 below the budget and \$303 less than the fiscal 2008 actual amount. On the plus side, property tax revenues were \$2,121 higher than budgeted due to aggressive collections and lower than expected abatements and exemptions.

The City was notified that there would be cuts in state local aid during the year and it took measures to reduce expenditures; first by implementing a hiring freeze and eventually by laying off non-school employees as well. These measures helped to produce \$4,410 in budgetary reversions but these were largely offset by snow removal expenditures that were \$3,100 over the final budget and state and regional charges that were \$429 higher than the original estimate. Total snow removal expenditures were \$7,007 which topped an unusually high \$5,051 in snow expenditures the year before (annual snow related expenditures have averaged \$3,000).

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, 2009 amounted to \$727,223. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$25,019 or 3.6%. Governmental activities increased by \$12,115 or 2.6% and business-type activities increased by \$12,904 or 5.6%.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(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 \$10,749.
- The CitySquare project had expenditures of \$445 during the year as the project has seen no construction progress as the developer waits for sufficient tenant commitments. Total project expenditures to date have been \$7,983.
- The Union Station Garage project had expenditures of \$1,050 during the year as the project was completed with total expenditures of \$18,638.
- The North High School construction project, which has been a multi-year project started in earnest during the year with expenditures of \$6,802 and now totaling \$10,947 to date.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$20,369, \$10,020 of which was for Airport runway rehabilitation. Additionally, business-type entities received \$4,289 in capital donations from owners of subdivisions.

	Capital assets (net of accumulated depreciation)					
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 18,194	16,691	5,152	4,642	23,346	21,333
Buildings	325,909	309,048	39,344	40,579	365,253	349,627
Improvements, other than buildings	17,331	15,120	—	—	17,331	15,120
Equipment and other	2,947	2,939	466	383	3,413	3,322
Rolling equipment	5,620	6,002	2,819	2,696	8,439	8,698
Infrastructure	87,446	79,827	189,124	181,462	276,570	261,289
Construction in progress	25,378	41,084	7,492	1,731	32,870	42,815
Total	\$ 482,825	470,711	244,397	231,493	727,222	702,204

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

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$603,801, a decrease of \$44,176 or 6.8% 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 473,670	507,329	124,562	133,942	598,232	641,271
Notes payable	4,706	5,800	863	906	5,569	6,706
Total	\$ 478,376	513,129	125,425	134,848	603,801	647,977

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(In thousands of dollars)

On September 15, 2008, the City issued \$1,663 of general obligation refunding bonds. The proceeds consisted of \$542 for governmental activities and \$1,121 for business-type activities.

In relation to the above general obligation bond issue, the City maintained credit ratings of A3 from Moody's Investors Service, A- from Standard and Poors and A from Fitch Ratings.

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

Additional information on the City's long-term debt can be found in note 11 beginning on page 72 of this report.

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 9.3% at June 30, 2009, compared with a 5.7% rate that existed a year earlier. This compares with June 30, 2009 unemployment rates of 8.7% in Massachusetts and 9.5% nationally.

Worcester's downtown office space of 4.46 million square feet was 81.8% occupied, according to a recent study done by the Worcester Research Bureau. This was a decrease from the 88.4% that was occupied in the previous year based on 4.75 million square feet. During fiscal 2009, single-family housing starts again slowed from their multi-year surge and property values decreased from their highest-ever level of \$12,727 in fiscal 2008 to \$12,137 in fiscal 2009.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

(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.

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Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2009

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	\$ 132,993,330	1,770,307	134,763,637	162,872	5,319,436
Restricted cash and cash equivalents	10,118,309	14,536,828	24,655,137	—	—
Restricted investments	10,330,990	—	10,330,990	—	4,568,691
Receivables (net):					
Property taxes	3,955,714	—	3,955,714	—	—
Tax and utility liens	4,217,521	1,817,416	6,034,937	—	—
Motor vehicle excise taxes	2,120,539	—	2,120,539	—	—
Charges for services	—	14,263,796	14,263,796	—	549,523
Special assessments	1,604,146	311,961	1,916,107	—	—
Departmental	2,909,282	—	2,909,282	—	—
Intergovernmental	112,376,261	1,019,684	113,395,945	36,567	7,767,576
Internal balances	645,930	(645,930)	—	—	—
Other	1,875,898	—	1,875,898	—	1,186,539
Other assets	—	—	—	3,127	—
Capital assets, not being depreciated	43,572,703	12,643,582	56,216,285	2,666,761	85,311,192
Capital assets, net of accumulated depreciation	439,252,766	231,753,476	671,006,242	30,818,295	86,833,608
Total assets	765,973,389	277,471,120	1,043,444,509	33,687,622	191,536,565
Liabilities:					
Accounts payable	44,092,242	1,567,532	45,659,774	145,370	7,725,023
Accrued liabilities	14,744,118	1,830,738	16,574,856	308,814	1,917,013
Retainage payable	613,356	334,813	948,169	—	—
Other liabilities	5,701,066	—	5,701,066	—	970,009
Temporary notes payable	28,594,063	12,140,000	40,734,063	—	16,148,041
Noncurrent liabilities:					
Due within one year	47,983,837	11,416,126	59,399,963	—	5,017,361
Due in more than one year	555,949,916	118,675,511	674,625,427	6,411,392	137,747,931
Total liabilities	697,678,598	145,964,720	843,643,318	6,865,576	169,525,378
Net assets:					
Invested in capital assets, net of related debt	310,433,336	121,479,726	431,913,062	33,485,056	15,222,241
Restricted for:					
Nonexpendable permanent funds	10,913,972	—	10,913,972	—	—
Expendable permanent funds	79,366	—	79,366	—	—
Renewal and replacement	8,214,524	—	8,214,524	—	—
State and federal grants	23,163,199	—	23,163,199	—	—
Unrestricted	(284,509,606)	10,026,674	(274,482,932)	(6,663,010)	6,788,946
Total net assets	\$ 68,294,791	131,506,400	199,801,191	26,822,046	22,011,187

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2009

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	\$ 23,416,433	2,642,379	2,658,272	—	(18,115,782)
Public safety	130,553,977	11,813,267	6,294,057	250,000	(112,196,653)
Health and human services	21,228,521	721,375	17,149,931	—	(3,357,215)
Education	421,159,671	2,158,056	302,236,539	10,576,806	(106,188,270)
Libraries	9,014,903	67,546	1,007,432	—	(7,939,925)
Public works	41,456,604	11,077,842	1,614,430	9,844,754	(18,919,578)
Culture and recreation	7,460,273	1,793,710	1,454,321	2,515,289	(1,696,953)
Community development	4,942,407	—	5,320,684	—	378,277
Redevelopment	—	—	1,446,000	—	1,446,000
Interest on debt	24,534,158	—	7,127,742	—	(17,406,416)
Total governmental activities	<u>683,766,947</u>	<u>30,274,175</u>	<u>346,309,408</u>	<u>23,186,849</u>	<u>(283,996,515)</u>
Business-type activities:					
Water	25,669,104	24,992,882	—	2,338,240	1,662,018
Sewer	31,133,939	28,939,025	—	2,450,958	256,044
Airport	5,082,057	862,008	1,395,168	10,032,589	7,207,708
Golf course (nonmajor)	1,147,929	1,047,725	—	—	(100,204)
Total business-type activities	<u>63,033,029</u>	<u>55,841,640</u>	<u>1,395,168</u>	<u>14,821,787</u>	<u>9,025,566</u>
Total primary government	<u>\$ 746,799,976</u>	<u>86,115,815</u>	<u>347,704,576</u>	<u>38,008,636</u>	<u>(274,970,949)</u>
Component units:					
Worcester Redevelopment Authority	\$ 2,101,530	362,473	—	—	(1,739,057)
Upper Blackstone Water Pollution Abatement District	<u>18,446,719</u>	<u>16,766,332</u>	<u>—</u>	<u>1,373,538</u>	<u>(306,849)</u>
Total component units	<u>\$ 20,548,249</u>	<u>17,128,805</u>	<u>—</u>	<u>1,373,538</u>	<u>(2,045,906)</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2009

	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)	\$ (283,996,515)	9,025,566	(274,970,949)	(1,739,057)	(306,849)
General revenues:					
Property taxes	197,471,907	—	197,471,907	—	—
Motor vehicle excise taxes	11,393,178	—	11,393,178	—	—
Other taxes and in-lieu payments	2,154,230	—	2,154,230	—	—
Penalties and interest on taxes	2,605,177	—	2,605,177	—	—
Intergovernmental revenues (unrestricted)	48,492,513	—	48,492,513	—	—
Investment earnings	(929,313)	—	(929,313)	994	(18,726)
Miscellaneous	1,232,805	—	1,232,805	—	—
Transfers (net)	96,287	(96,287)	—	—	—
Total general revenues and transfers (net)	262,516,784	(96,287)	262,420,497	994	(18,726)
Gain on sale of capital assets	295,505	—	295,505	—	—
Contributions to permanent funds	57,630	—	57,630	—	—
Sub-total	262,869,919	(96,287)	262,773,632	994	(18,726)
Change in net assets	(21,126,596)	8,929,279	(12,197,317)	(1,738,063)	(325,575)
Net assets - beginning	89,421,387	122,577,121	211,998,508	28,560,109	22,336,762
Net assets - ending	\$ 68,294,791	131,506,400	199,801,191	26,822,046	22,011,187

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2009

	<u>General</u>	<u>CitySquare</u>	<u>Stabilization</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Assets:					
Cash and cash equivalents	\$ 44,186,707	27,323,354	4,350,207	42,876,306	118,736,574
Restricted cash and cash equivalents	—	351,981	—	9,766,328	10,118,309
Restricted investments	—	—	—	10,330,990	10,330,990
Receivables (net of allowance for uncollectibles of \$8,518,074)	14,402,638	—	—	404,564	14,807,202
Due from other funds	1,020,849	—	—	—	1,020,849
Due from other governments	110,383,948	—	—	1,992,313	112,376,261
Total assets	\$ 169,994,142	27,675,335	4,350,207	65,370,501	267,390,185
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 37,259,724	—	—	4,826,065	42,085,789
Retainage payable	—	—	—	613,356	613,356
Due to general fund	—	—	—	374,919	374,919
Due to internal service fund	339,677	—	—	—	339,677
Temporary loans	—	8,174,063	—	20,420,000	28,594,063
Deferred revenue	122,825,190	—	—	404,564	123,229,754
Other liabilities	3,462,896	—	—	2,238,170	5,701,066
Total liabilities	163,887,487	8,174,063	—	28,877,074	200,938,624
Fund balances:					
Reserved for:					
Nonexpendable permanent funds	—	—	—	10,913,972	10,913,972
State and federal grants	—	—	—	23,163,199	23,163,199
Unreserved, reported in:					
General fund	6,106,655	—	—	—	6,106,655
Special revenue funds	—	—	4,350,207	13,623,638	17,973,845
Capital projects funds	—	19,501,272	—	(11,286,748)	8,214,524
Expendable permanent funds	—	—	—	79,366	79,366
Total fund balances	6,106,655	19,501,272	4,350,207	36,493,427	66,451,561
Total liabilities and fund balances	\$ 169,994,142	27,675,335	4,350,207	65,370,501	267,390,185

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, 2009

Total governmental fund balances (Exhibit 3)	\$ 66,451,561
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	482,825,469
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	123,229,754
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.	9,805,136
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(10,083,376)
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	(481,670,599)
OPEB	(92,609,810)
Judgments and claims	(13,295,886)
Compensated absences	(12,883,311)
Landfill closure costs	(3,016,077)
Public School early retirement costs	(458,070)
	(608,933,753)
Net assets of governmental activities (Exhibit 1)	\$ 68,294,791

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, 2009

	<u>General fund</u>	<u>CitySquare</u>	<u>Stabilization</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Property taxes	\$ 197,777,084	—	—	—	197,777,084
Motor vehicle excise taxes	11,369,851	—	—	—	11,369,851
Other taxes and in-lieu payments	2,528,886	—	—	—	2,528,886
Penalties and interest on taxes	2,605,177	—	—	—	2,605,177
Licenses and permits	4,402,117	—	—	—	4,402,117
Intergovernmental	295,326,946	—	1,206,005	117,303,086	413,836,037
Charges for services	5,917,982	—	—	15,137,259	21,055,241
Fines and forfeitures	3,136,579	—	—	—	3,136,579
Investment earnings	461,722	511,370	—	(1,902,405)	(929,313)
Donations	—	—	—	2,468,214	2,468,214
Contributions to permanent funds	—	—	—	57,630	57,630
Miscellaneous	790,680	—	—	455,102	1,245,782
Total revenues	<u>524,317,024</u>	<u>511,370</u>	<u>1,206,005</u>	<u>133,518,886</u>	<u>659,553,285</u>
Expenditures:					
Current:					
General government	13,980,598	—	—	2,663,224	16,643,822
Public safety	79,655,555	—	—	12,667,196	92,322,751
Health and human services	2,638,942	—	—	15,532,809	18,171,751
Education	199,839,874	—	—	85,519,500	285,359,374
Libraries	4,936,661	—	—	1,071,103	6,007,764
Public works	22,491,111	445,496	—	16,189,328	39,125,935
Culture and recreation	4,079,458	—	—	6,665,652	10,745,110
Fringe benefits	124,317,757	—	—	—	124,317,757
Community development	—	—	—	4,942,407	4,942,407
State and regional charges	26,102,189	—	—	—	26,102,189
Debt service:					
Principal	25,726,170	—	6,629,290	2,405,173	34,760,633
Interest	19,797,478	—	4,869,266	1,431,084	26,097,828
Total expenditures	<u>523,565,793</u>	<u>445,496</u>	<u>11,498,556</u>	<u>149,087,476</u>	<u>684,597,321</u>
Excess (deficiency) of revenues over expenditures	<u>751,231</u>	<u>65,874</u>	<u>(10,292,551)</u>	<u>(15,568,590)</u>	<u>(25,044,036)</u>
Other financing sources (uses):					
Transfers in	6,596,725	—	12,058,233	4,797,053	23,452,011
Transfers out	(13,449,985)	(674,063)	(643,000)	(8,588,676)	(23,355,724)
Premium on issuance of bonds	303,118	—	—	348,162	651,280
Issuance of refunding bonds	—	—	—	542,000	542,000
Refunded bonds redeemed	—	—	—	(535,000)	(535,000)
Sale of capital assets	—	—	—	324,759	324,759
Total other financing sources (uses)	<u>(6,550,142)</u>	<u>(674,063)</u>	<u>11,415,233</u>	<u>(3,111,702)</u>	<u>1,079,326</u>
Net change in fund balances	<u>(5,798,911)</u>	<u>(608,189)</u>	<u>1,122,682</u>	<u>(18,680,292)</u>	<u>(23,964,710)</u>
Fund balances – beginning	11,905,566	20,109,461	3,227,525	55,173,719	90,416,271
Fund balances – ending	<u>\$ 6,106,655</u>	<u>19,501,272</u>	<u>4,350,207</u>	<u>36,493,427</u>	<u>66,451,561</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, 2009

Net change in fund balances - total governmental funds (Exhibit 5) \$ (23,964,710)

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:

Capital outlays	32,555,932
Capital donations	3,431,333
Depreciation	(23,843,644)

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. This amount represents the net book value of the capital assets sold.

(29,254)

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.

(736,059)

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:

Issuance of refunding bonds	(542,000)
Bond maturities	34,760,633
Refunded bonds redeemed	535,000
Amortization of bond premiums	10,345

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

902,045

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.

1,979,147

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:

OPEB	(49,394,930)
Judgments and claims	2,232,874
Compensating absences	441,716
Landfill closure costs	95,007
Public School early retirement costs	439,969

Change in net assets of governmental activities (Exhibit 2)

\$ (21,126,596)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2009

	Business-type activities				Totals	Governmental activities Internal Service Fund
	Water	Major Sewer	Airport	Nonmajor Golf Course		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 1,405,705	334,038	—	30,564	1,770,307	14,256,756
Restricted cash and cash equivalents	6,241,803	7,980,931	—	314,094	14,536,828	—
Receivables (net)	6,767,186	9,584,048	1,061,623	—	17,412,857	1,875,898
Due from general fund	—	—	—	—	—	339,677
Total current assets	<u>14,414,694</u>	<u>17,899,017</u>	<u>1,061,623</u>	<u>344,658</u>	<u>33,719,992</u>	<u>16,472,331</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	213,737	61,348,911	—
Infrastructure	130,900,268	147,038,942	29,982,163	815,555	308,736,928	—
Construction in progress	1,069,952	1,493,201	4,382,611	545,918	7,491,682	—
Equipment and other	254,955	318,065	432,610	—	1,005,630	—
Rolling equipment	2,059,297	4,223,452	770,377	—	7,053,126	—
Less accumulated depreciation	<u>(60,950,499)</u>	<u>(64,266,126)</u>	<u>(20,646,809)</u>	<u>(527,685)</u>	<u>(146,391,119)</u>	<u>—</u>
Capital assets, net	<u>118,082,099</u>	<u>92,863,495</u>	<u>32,403,939</u>	<u>1,047,525</u>	<u>244,397,058</u>	<u>—</u>
Total assets	<u>132,496,793</u>	<u>110,762,512</u>	<u>33,465,562</u>	<u>1,392,183</u>	<u>278,117,050</u>	<u>16,472,331</u>
Liabilities:						
Current liabilities:						
Accounts payable	523,093	847,382	166,493	30,564	1,567,532	2,006,453
Due to general fund	—	—	645,930	—	645,930	—
Accrued liabilities	1,129,057	635,389	47,641	18,651	1,830,738	4,660,742
Retainage payable	113,145	133,379	86,376	1,913	334,813	—
Judgments and claims	172,049	67,555	26,092	—	265,696	—
Compensated absences	399,986	200,444	51,015	8,596	660,041	—
Temporary loans	5,740,000	5,850,000	—	550,000	12,140,000	—
Other	2,202	3,360	—	—	5,562	—
Bonds and notes payable	6,772,941	3,139,197	455,249	117,440	10,484,827	—
Total current liabilities	<u>14,852,473</u>	<u>10,876,706</u>	<u>1,478,796</u>	<u>727,164</u>	<u>27,935,139</u>	<u>6,667,195</u>
Noncurrent liabilities:						
Judgments and claims	562,710	127,131	116,658	—	806,499	—
Compensated absences	119,364	37,547	1,591	4,089	162,591	—
OPEB payable	1,396,624	983,579	274,659	50,724	2,705,586	—
Other	13,267	46,421	—	—	59,688	—
Bonds and notes payable	67,890,616	43,204,565	3,001,726	844,240	114,941,147	—
Total noncurrent liabilities	<u>69,982,581</u>	<u>44,399,243</u>	<u>3,394,634</u>	<u>899,053</u>	<u>118,675,511</u>	<u>—</u>
Total liabilities	<u>84,835,054</u>	<u>55,275,949</u>	<u>4,873,430</u>	<u>1,626,217</u>	<u>146,610,650</u>	<u>6,667,195</u>
Net assets:						
Invested in capital assets, net of related debt	43,920,345	48,655,794	29,053,648	(150,061)	121,479,726	—
Unrestricted	3,741,394	6,830,769	(461,516)	(83,973)	10,026,674	9,805,136
Total net assets	<u>\$ 47,661,739</u>	<u>55,486,563</u>	<u>28,592,132</u>	<u>(234,034)</u>	<u>131,506,400</u>	<u>9,805,136</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, 2009

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
Operating revenues:						
Charges for services	\$ 24,119,799	28,553,960	—	—	52,673,759	—
Employer contributions	—	—	—	—	—	62,005,192
Employee contributions	—	—	—	—	—	17,479,484
Fees	—	—	573,434	1,045,189	1,618,623	—
Miscellaneous	873,083	385,065	288,574	2,536	1,549,258	—
Total operating revenues	24,992,882	28,939,025	862,008	1,047,725	55,841,640	79,484,676
Operating expenses:						
Salaries and benefits	9,756,100	5,783,383	1,377,137	323,411	17,240,031	—
Benefit payments	—	—	—	—	—	77,637,719
Ordinary maintenance	5,146,525	15,198,846	1,774,475	650,135	22,769,981	—
Indirect costs	2,091,784	3,155,025	—	74,322	5,321,131	—
Depreciation	5,143,753	4,929,061	1,735,991	49,267	11,858,072	—
Total operating expenses	22,138,162	29,066,315	4,887,603	1,097,135	57,189,215	77,637,719
Operating income (loss)	2,854,720	(127,290)	(4,025,595)	(49,410)	(1,347,575)	1,846,957
Nonoperating revenues (expenses):						
Intergovernmental	500,000	—	11,427,757	—	11,927,757	—
Investment income	—	—	—	—	—	132,190
Interest expense	(3,530,942)	(2,067,624)	(194,454)	(50,794)	(5,843,814)	—
Total nonoperating revenues (expenses)	(3,030,942)	(2,067,624)	11,233,303	(50,794)	6,083,943	132,190
Income (loss) before capital donations and transfers	(176,222)	(2,194,914)	7,207,708	(100,204)	4,736,368	1,979,147
Capital donations	1,838,240	2,450,958	—	—	4,289,198	—
Transfers in	—	320,028	1,184,258	111,147	1,615,433	—
Transfers out	(1,043,993)	(551,913)	(91,126)	(24,688)	(1,711,720)	—
Change in net assets	618,025	24,159	8,300,840	(13,745)	8,929,279	1,979,147
Total net assets – beginning	47,043,714	55,462,404	20,291,292	(220,289)	122,577,121	7,825,989
Total net assets – ending	\$ 47,661,739	55,486,563	28,592,132	(234,034)	131,506,400	9,805,136

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers	\$ 24,903,908	28,308,053	847,108	1,047,725	55,106,794	79,484,676
Payments for interfund service provided	—	—	—	—	—	(77,500,167)
Payments to suppliers	(7,283,225)	(17,810,218)	(1,880,640)	(721,677)	(27,695,760)	—
Payments to employees	(8,957,054)	(5,225,680)	(1,225,001)	(297,002)	(15,704,737)	—
Net cash provided (used) by operating activities	8,663,629	5,272,155	(2,258,533)	29,046	11,706,297	1,984,509
Cash flows from noncapital financing activities:						
Advance from general fund	—	—	60,771	—	60,771	—
Transfers in	—	320,028	1,184,258	111,147	1,615,433	—
Transfers (out)	(1,043,993)	(551,913)	(91,126)	(24,688)	(1,711,720)	—
Intergovernmental subsidies	500,000	—	11,725,016	—	12,225,016	—
Net cash provided (used) by noncapital financing activities	(543,993)	(231,885)	12,878,919	86,459	12,189,500	—
Cash flows from capital and related financing activities:						
Issuance of capital debt	6,846,671	5,882,519	—	550,000	13,279,190	—
Acquisition and construction of capital assets	(4,369,371)	(5,634,738)	(10,019,582)	(345,415)	(20,369,106)	—
Principal paid on capital debt	(7,079,000)	(2,949,627)	(402,249)	(112,440)	(10,543,316)	—
Interest paid on capital debt	(3,620,812)	(2,086,647)	(198,555)	(43,793)	(5,949,807)	—
Net cash provided (used) by capital and related financing activities	(8,222,512)	(4,788,493)	(10,620,386)	48,352	(23,583,039)	—
Cash flows from investing activities:						
Investment income	—	—	—	—	—	132,190
Net increase (decrease) in cash and cash equivalents	(102,876)	251,777	—	163,857	312,758	2,116,699
Cash and cash equivalents at beginning of year	7,750,384	8,063,192	—	180,801	15,994,377	12,140,057
Cash and cash equivalents at end 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
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,854,720	(127,290)	(4,025,595)	(49,410)	(1,347,575)	1,846,957
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	5,143,753	4,929,061	1,735,991	49,267	11,858,072	—
(Increase) in accounts receivable	(88,974)	(630,972)	(14,900)	—	(734,846)	(1,179,162)
Increase (decrease) in accounts payable	(145,266)	398,227	(243,597)	2,907	12,271	1,368,126
Increase in OPEB payable	762,476	520,252	145,398	26,032	1,454,158	—
(Decrease) in accrued liabilities	—	—	—	—	—	(51,412)
Increase in judgments and claims payable	124,884	157,725	142,750	—	425,359	—
Increase in compensated absences payable	12,036	25,152	1,420	250	38,858	—
Total adjustments	5,808,909	5,399,445	1,767,062	78,456	13,053,872	137,552
Net cash provided (used) by operating activities	\$ 8,663,629	5,272,155	(2,258,533)	29,046	11,706,297	1,984,509
Noncash investing, capital and financing activities:						
Capital donations	\$ 1,838,240	2,450,958	—	—	4,289,198	—

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2009

	Pension Trust Fund (As of December 31, 2008)	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 4,540,494	455,780
Investments, at fair value:		
Equities	148,374,974	—
Fixed income	83,330,738	—
Pooled equities	81,595,791	—
Pooled fixed income	20,455,943	—
Real estate	78,233,713	—
Alternative investments	111,229,908	—
Total investments	<u>523,221,067</u>	<u>—</u>
Receivables:		
Accrued interest and dividends	949,626	—
Intergovernmental	355,936	—
Receivable for securities sold	1,192,201	—
Other receivables	156,566	—
Total receivables	<u>2,654,329</u>	<u>—</u>
Securities lending collateral	66,280,770	—
Total assets	<u>596,696,660</u>	<u>455,780</u>
Liabilities:		
Accounts payable and accrued expenses	263,065	18,372
Due to student groups	—	437,408
Intergovernmental	2,420,920	—
Payable for securities purchased	1,153,646	—
Securities lending collateral	66,280,770	—
Total liabilities	<u>70,118,401</u>	<u>455,780</u>
Net assets:		
Held in trust for pension benefits	\$ <u>526,578,259</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(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, 2009, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2008.

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, 2009

(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

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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 2009 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

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June 30, 2009

(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

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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.

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.

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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.

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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 inventorable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2009, 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. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, are capitalized during the construction period if material. Such costs were not considered material during fiscal 2009. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City and the WRA on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. The District provides depreciation on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and 20 to 40 years for facilities.

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

CITY OF WORCESTER, MASSACHUSETTS

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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, 2009, 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

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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 2009 was \$95.

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

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(2) Property Taxes

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

(3) Deposits, Investments, and Securities Lending

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

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, 2009, \$112,974 of the City's bank balance of \$133,728 was insured and collateralized with securities held by pledging financial institutions, and \$20,754 was uninsured and uncollateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Investments Summary

The City's investments at June 30, 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.....	\$ 1,178	206	507	449	16
U.S. Agencies.....	713	-	392	46	275
Corporate bonds.....	1,540	374	749	246	171
Money market mutual funds.....	560	560	-	-	-
Fixed income securities.....	591	147	444	-	-
External investment pools.....	<u>19,404</u>	<u>19,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	<u>23,986</u>	<u>20,691</u>	<u>2,092</u>	<u>741</u>	<u>462</u>
<u>Other Investments:</u>					
Equity securities.....	5,327				
Equity mutual funds.....	<u>1,004</u>				
Total other investments.....	<u>6,331</u>				
Total investments.....	<u>\$ 30,317</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, 2009

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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, 2009, 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, 2009, the credit quality ratings of the City's investment in debt securities are as follows:

<u>Quality Ratings*</u>	<u>U.S. Agencies **</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Fixed Income Securities</u>	<u>External Investment Pools</u>	<u>Total</u>
AAA.....	\$ 662	11	-	-	-	673
AA+.....	-	351	-	-	-	351
AA.....	-	31	-	-	-	31
AA-.....	-	16	-	-	-	16
A+.....	-	46	-	-	-	46
A.....	-	455	-	-	-	455
A-.....	-	15	-	-	-	15
BBB+.....	-	146	-	-	-	146
BBB.....	-	57	-	-	-	57
BBB-.....	-	58	-	-	-	58
Unrated.....	-	354	560	591	19,404	20,909
Total.....	\$ 662	1,540	560	591	19,404	22,757

* 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, 2009

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(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, 2008, the WRS's bank balance of \$1,389 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2008 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.....	\$ 53,630	24,718	10,680	9,792	8,440
U.S. Agencies.....	25,084	1,613	2,500	1,113	19,858
Corporate bonds.....	29,780	6,417	6,684	10,696	5,983
Money market mutual funds.....	3,593	3,593	-	-	-
Debt security mutual funds.....	25,544	20,925	-	-	4,618
Total debt securities.....	137,631	57,266	19,864	21,601	38,899
<u>Other Investments:</u>					
Equity securities.....	93,620				
Equity mutual funds.....	172,381				
Real estate investments.....	78,233				
Alternative investments.....	111,230				
Total other investments	455,464				
Total investments.....	\$ 593,095				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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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, 2008, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS's policies for credit risk of debt securities sets minimum average quality requirements for investment strategies employed, among other limitations. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's. As of December 31, 2008, the credit quality ratings of the WRS's debt securities are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Quality Ratings *	Investment Type			Fair Value
	Coporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds	
AAA.....	\$ 2,799	-	2,990	5,789
AA.....	420	-	-	420
AA-.....	1,033	-	-	1,033
A+.....	786	-	-	786
A.....	2,193	-	107	2,300
A-.....	2,346	-	-	2,346
BBB+.....	2,495	-	-	2,495
BBB.....	1,689	-	396	2,085
BBB-.....	1,808	-	-	1,808
BB+.....	781	-	-	781
BB.....	1,216	-	-	1,216
BB-.....	1,282	-	-	1,282
B+.....	2,311	-	94	2,405
B.....	945	-	-	945
B-.....	449	-	-	449
CCC+.....	902	-	-	902
CCC.....	648	-	-	648
CCC-.....	37	-	-	37
CC.....	51	-	-	51
D.....	278	-	-	278
Unrated.....	5,311	3,593	21,957	30,861
Total.....	\$ 29,780	3,593	25,544	58,917

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

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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, 2008, 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>
Coporate bonds.....	\$ 662	South Korean won
U.S. Agencies.....	537	Mexican peso
Coporate bonds.....	505	Singapore dollar
Coporate bonds.....	306	Indonesian rupiah
U.S. Agencies.....	171	Canadian dollar
U.S. Agencies.....	161	Australian dollar
Coporate bonds.....	42	Canadian dollar
Coporate bonds.....	34	Australian dollar
Total.....	<u>\$ 2,418</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, 2008, 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, 2009, the District's deposits were fully insured and collateralized.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

Investments Summary

The District's investments at June 30, 2009, 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.....	\$ 405	-	405	-
U.S. Agencies.....	2,298	362	1,934	2
U.S. Treasuries Mutual Fund.....	529	529	-	-
Total debt securities.....	3,232	891	2,339	2
<u>Other Investments:</u>				
Equity securities - Domestic.....	1,283			
Equity securities - International.....	54			
Total investments.....	\$ 4,569			

At June 30, 2009, the District had a net unrealized loss of \$221 on its investments.

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. 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, 2009, none of the District's investments were subject to custodial credit risk.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(In thousands of dollars)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. 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, 2009, the credit quality ratings of the District's U.S. Treasury and U.S. Agency investments were AAA rated or backed by full faith of the U.S. Treasury.

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, 2009, 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, 2009, WRA's bank balance of \$203 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

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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, 2008. 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, 2008, 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, 2008 and 2007 was \$ 66,281 and \$13,696 and \$66,105 and \$13,599, respectively. Borrower rebates and fees paid to the broker were \$420 for the year ended December 31, 2008.

(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, 2008, the City's payroll for employees covered by WRS was approximately \$166,000; the City's total payroll was approximately \$320,000.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent, full-time employees working at least 20 hours weekly, except for (1) employees eligible to participate in the Massachusetts Teachers' Retirement System (as discussed in note 5); and (2) employees of the District, who are covered by the state Retirement System. Disclosures applicable to the District's retirement plan are not material.

Membership in WRS was as follows at December 31, 2008:

Active employees	3,352
Pensioners and beneficiaries	2,792
Inactive employees with vested rights	910
Total members	<u>7,054</u>
Number of participating employers	<u>2</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(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 \$1,198 for the fiscal year ended June 30, 2009 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(d) Annual Pension Cost

For the year ended June 30, 2009 the required and actual contribution was \$22,742. For the year ended June 30, 2008 the required and actual contribution was \$22,089 and for the year ended June 30, 2007 the required contribution was \$21,241. At June 30, 2009, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2009, 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, 2009, the most recent actuarial valuation date, is as follows:

Schedule of funding progress						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Annual Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2009	\$ 631,894	929,569	297,675	67.98%	\$ 166,050	179.27%

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, 2009

(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, 2009
Actuarial cost method	Entry age normal
Amortization method	Level payments on the 2002 and 2003 ERI liability and the Section 90 ACD liability and 4.50% increasing payments on remaining unfunded liability
Remaining amortization period	9 years for the 2002 ERI liability 3 years for the 2003 ERI liability 5 years for the Section 90 ACD liability and 21 years for the remaining unfunded liability (period closed)
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period
Investment rate of return	8.25%
Projected salary increases	3.00% for the next 2 years; 5.00% thereafter
Cost-of-living adjustments	3.00% for the first \$12 of retirement income

(g) *Legally Required Reserve Accounts*

The balances in WRS's legally required reserves as of December 31, 2008 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 152,780	Active members' contribution balance
Annuity Reserve Fund	49,266	Retired members' contribution account
Military Service Fund	16	Members' contribution account while on military leave
Pension Reserve Fund	296,433	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>28,083</u>	Remaining net assets
Total	<u>\$ 526,578</u>	

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

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(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 2009 was approximately \$147,000. 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 \$48,606 for the fiscal year ended June 30, 2009 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, 2009

(In thousands of dollars)

(b) Special Termination Benefits

In prior years, the City elected to make certain employees who participate in the Massachusetts Teachers' Retirement System eligible for an early retirement incentive program. The remaining additional accrued liability incurred as of June 30, 2009 was \$458. This liability has been recorded in the applicable governmental activities statement of net assets. Scheduled payments are as follows:

	<u>Amount</u>
Year ending June 30, 2010	\$ <u>458</u>

(6) Other Postemployment Benefits

(a) Plan Description

In addition to the pension benefits described in notes 4 and 5, the City provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the "Plan") in accordance with MGL Chapter 32B under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state law, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans, while the City partially self-funds the claims for the remaining plans. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2008, the latest actuarial valuation, is as follows:

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

(b) Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes 100% towards a \$5,000 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(c) Annual OPEB Cost and Net OPEB Obligation

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

	<u>Amount</u>
Annual required contribution.....	\$ 70,142
Interest on net OPEB obligation.....	1,779
Adjustment to annual required contribution.....	<u>(1,564)</u>
Annual OPEB cost.....	70,357
Contributions made.....	<u>(19,507)</u>
Increase in net OPEB obligation.....	50,850
Net OPEB obligation at beginning of year.....	<u>44,466</u>
Net OPEB obligation at end of year.....	\$ <u><u>95,316</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008*.....	\$ 67,158	33.8%	\$ 44,466
June 30, 2009.....	70,357	27.7	95,316

* Transition year

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(d) Funded Status and Funding Progress

The funded status of the Plan at June 30, 2008, 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)
06/30/08	\$ —	1,148,294	1,148,294	0.0%	\$ 320,372	358%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(e) Methods and Assumptions

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(f) Allocation of AOPEBC

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

Governmental Activities:

General government.....	\$	4,693
Public safety.....		18,186
Health and human services.....		700
Education.....		40,374
Libraries.....		959
Public works.....		2,496
Culture and recreation.....		792
		<u>792</u>
Total AOPEBC - governmental activities	\$	<u><u>68,200</u></u>

Business-Type Activities:

Water.....	\$	1,214
Sewer.....		710
Airport.....		207
Golf course (nonmajor).....		26
		<u>26</u>
Total AOPEBC - business-type activities	\$	<u><u>2,157</u></u>

(7) Accounts Receivable

At June 30, 2009, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u> </u>	<u> </u>	<u> </u>
Receivables:			
Property taxes	\$ 5,951	(1,995)	3,956
Tax liens	4,420	(203)	4,217
Motor vehicle excise taxes	5,479	(3,358)	2,121
Special assessments	1,604	—	1,604
Departmental and other	10,046	(2,962)	7,084
Intergovernmental	112,732	—	112,732
	<u>140,232</u>	<u>(8,518)</u>	<u>131,714</u>
	\$ <u><u>140,232</u></u>	<u><u>(8,518)</u></u>	<u><u>131,714</u></u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

At June, 30, 2009, 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	\$ 14,264	—	14,264
Utility liens	1,817	—	1,817
Special assessments	312	—	312
Intergovernmental	<u>1,020</u>	<u>—</u>	<u>1,020</u>
	<u>\$ 17,413</u>	<u>—</u>	<u>17,413</u>

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Receivable type:</u>			
Property taxes	\$ 2,393	—	2,393
Tax liens	4,218	—	4,218
Motor vehicle excise taxes	1,872	—	1,872
Special assessments	1,604	—	1,604
Departmental and other	2,504	405	2,909
Intergovernmental (school construction)	109,187	—	109,187
Intergovernmental (other state and federal)	<u>1,047</u>	<u>—</u>	<u>1,047</u>
	<u>\$ 122,825</u>	<u>405</u>	<u>123,230</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 2009, \$17,805 of such assistance was received. Approximately \$170,328 will be received in future fiscal years. Of this amount, approximately \$61,141 represents reimbursement of long-term interest costs, and approximately \$109,187 represents reimbursement of approved construction costs. Accordingly, a \$109,187 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, 2009

(In thousands of dollars)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,691	1,509	6	18,194
Construction in progress	41,084	9,989	25,695	25,378
Total capital assets, not being depreciated	<u>57,775</u>	<u>11,498</u>	<u>25,701</u>	<u>43,572</u>
Capital assets, being depreciated:				
Buildings	458,399	31,083	55	489,427
Improvements other than buildings	18,572	3,117	—	21,689
Rolling equipment	24,475	598	—	25,073
Equipment and other	13,378	795	—	14,173
Infrastructure	150,565	14,591	—	165,156
	<u>665,389</u>	<u>50,184</u>	<u>55</u>	<u>715,518</u>
Less accumulated depreciation for:				
Buildings	149,350	14,199	31	163,518
Improvements other than buildings	3,452	906	—	4,358
Rolling equipment	18,474	979	—	19,453
Equipment and other	10,439	787	—	11,226
Infrastructure	70,738	6,972	—	77,710
	<u>252,453</u>	<u>23,843</u>	<u>31</u>	<u>276,265</u>
Total capital assets, being depreciated, net	<u>412,936</u>	<u>26,341</u>	<u>24</u>	<u>439,253</u>
Governmental capital assets, net	\$ <u>470,711</u>	<u>37,839</u>	<u>25,725</u>	<u>482,825</u>

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

Governmental activities:	
General government	\$ 91
Public safety	1,367
Public works	8,380
Education	9,439
Library	754
Health and human services	242
Culture and recreation	3,570
Total depreciation expense – governmental activities	\$ <u>23,843</u>

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Notes to the Basic Financial Statements

June 30, 2009

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 4,419	510	—	4,929
Construction in progress	285	894	109	1,070
Total capital assets, not being depreciated	<u>4,704</u>	<u>1,404</u>	<u>109</u>	<u>5,999</u>
Capital assets, being depreciated:				
Buildings	39,819	—	—	39,819
Rolling equipment	2,005	55	—	2,060
Infrastructure	126,141	4,759	—	130,900
Equipment and other	152	103	—	255
Total capital assets, being depreciated	<u>168,117</u>	<u>4,917</u>	<u>—</u>	<u>173,034</u>
Less accumulated depreciation for:				
Buildings	13,304	1,041	—	14,345
Rolling equipment	1,254	153	—	1,407
Infrastructure	41,197	3,933	—	45,130
Equipment and other	52	17	—	69
Total accumulated depreciation	<u>55,807</u>	<u>5,144</u>	<u>—</u>	<u>60,951</u>
Total capital assets, being depreciated, net	<u>112,310</u>	<u>(227)</u>	<u>—</u>	<u>112,083</u>
Water capital assets, net	<u>117,014</u>	<u>1,177</u>	<u>109</u>	<u>118,082</u>
Sewer:				
Capital assets, not being depreciated:				
Land	117	—	—	117
Construction in progress	449	1,164	120	1,493
Total capital assets, not being depreciated	<u>566</u>	<u>1,164</u>	<u>120</u>	<u>1,610</u>
Capital assets, being depreciated:				
Buildings	3,549	391	—	3,940
Rolling equipment	3,727	598	103	4,222
Infrastructure	141,018	6,021	—	147,039
Equipment and other	268	51	—	319
Total capital assets, being depreciated	<u>148,562</u>	<u>7,061</u>	<u>103</u>	<u>155,520</u>
Less accumulated depreciation for:				
Buildings	1,119	133	—	1,252
Rolling equipment	1,854	360	97	2,117
Infrastructure	56,406	4,409	—	60,815
Equipment and other	56	27	—	83
Total accumulated depreciation	<u>59,435</u>	<u>4,929</u>	<u>97</u>	<u>64,267</u>
Total capital assets, being depreciated, net	<u>89,127</u>	<u>2,132</u>	<u>6</u>	<u>91,253</u>
Sewer capital assets, net	<u>89,693</u>	<u>3,296</u>	<u>126</u>	<u>92,863</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(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	797	4,016	430	4,383
Total capital assets, not being depreciated	903	4,016	430	4,489
Capital assets, being depreciated:				
Buildings	17,376	—	—	17,376
Rolling equipment	770	—	—	770
Infrastructure	23,462	6,521	—	29,983
Equipment and other	433	—	—	433
Total capital assets, being depreciated	42,041	6,521	—	48,562
Less accumulated depreciation for:				
Buildings	5,851	443	—	6,294
Rolling equipment	699	12	—	711
Infrastructure	12,000	1,256	—	13,256
Equipment and other	360	26	—	386
Total accumulated depreciation	18,910	1,737	—	20,647
Total capital assets, being depreciated, net	23,131	4,784	—	27,915
Airport capital assets, net	24,034	8,800	430	32,404
Golf course (nonmajor):				
Capital assets, not being depreciated:				
Construction in progress	201	347	2	546
Capital assets, being depreciated:				
Buildings	214	—	—	214
Infrastructure	815	—	—	815
Total capital assets, being depreciated	1,029	—	—	1,029
Less accumulated depreciation for:				
Buildings	106	8	—	114
Infrastructure	372	41	—	413
Total accumulated depreciation	478	49	—	527
Total capital assets, being depreciated, net	551	(49)	—	502
Golf course capital assets, net	752	298	2	1,048
Business-type activities capital assets, net	\$ 231,493	13,571	667	244,397

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(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	57,791	26,959	141	84,609
Total capital assets, not being depreciated	58,493	26,959	141	85,311
Capital assets, being depreciated:				
Treatment facilities	122,302	141	—	122,443
Equipment and other	3,801	223	—	4,024
Total capital assets, being depreciated	126,103	364	—	126,467
Less accumulated depreciation for:				
Treatment facilities	31,887	4,727	—	36,614
Equipment and other	2,810	209	—	3,019
Total accumulated depreciation	34,697	4,936	—	39,633
Total capital assets, being depreciated, net	91,406	(4,572)	—	86,834
The District's capital assets, net	\$ 149,899	22,387	141	172,145
Discretely presented component units – WRA:				
Capital assets, not being depreciated:				
Land	\$ 1,270	—	—	1,270
Construction in progress	900	526	29	1,397
Total capital assets, not being depreciated	2,170	526	29	2,667
Capital assets, being depreciated:				
Buildings	38,537	28	—	38,565
Equipment and other	176	—	—	176
Total capital assets, being depreciated	38,713	28	—	38,741
Less accumulated depreciation for:				
Buildings	6,842	988	—	7,830
Equipment and other	88	5	—	93
Total accumulated depreciation	6,930	993	—	7,923
Total capital assets, being depreciated, net	31,783	(965)	—	30,818
WRA capital assets, net	\$ 33,953	(439)	29	33,485

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2009. The projects include new school construction, land, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows.

<u>Project</u>	<u>Spent through June 30, 2009</u>	<u>Remaining commitment</u>
Infrastructure improvements	\$ 8,208	84,503
New school construction	6,728	18,638
Land improvements	1,530	266
Visitors' center	630	273
Building improvements	74	5,444
Total	\$ <u>17,170</u>	<u>109,124</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, 2009 is summarized as follows:

Governmental Activities

Capital assets	\$ 759,091
Less accumulated depreciation	(276,265)
Less outstanding long-term debt	(478,376)
Less outstanding temporary debt	(28,594)
Add outstanding debt that is not capital related	215,133
Add unspent proceeds of capital related debt	10,257
Add grant receivable to fund capital debt	<u>109,187</u>
Invested in capital assets, net of related debt	\$ <u>310,433</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Business-Type Activities

	<u>Water</u>	<u>Sewer</u>	<u>Airport</u>	<u>Golf Course (Nonmajor)</u>	<u>Total Enterprise Funds/ Business-Type Activities</u>
Capital assets	\$ 179,033	157,129	53,051	1,575	390,788
Less accumulated depreciation	(60,951)	(64,266)	(20,647)	(528)	(146,392)
Less outstanding long-term debt	(74,664)	(46,344)	(3,457)	(962)	(125,427)
Less outstanding temporary debt	(5,740)	(5,850)	-	(550)	(12,140)
Add unspent proceeds of capital related debt	<u>6,242</u>	<u>7,987</u>	<u>107</u>	<u>315</u>	<u>14,651</u>
Invested in capital assets, net of related debt	<u>\$ 43,920</u>	<u>48,656</u>	<u>29,054</u>	<u>(150)</u>	<u>121,480</u>

(10) Operating Leases

The City occasionally leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$230 for the year ended June 30, 2009. The future minimum lease payments for these leases are as follows:

Year ending June 30:	<u>Amount</u>
2010	\$ 144
2011	144
2012	144
2013	144
2014	144
2015	144
2016	144
2017	144
2018	<u>144</u>
	<u>\$ 1,296</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(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%) \$	136,071	42	12,947	123,166	15,118
Outside debt limit	(2.00%-8.50%)	371,258	500	21,254	350,504	21,421
Notes payable – Section 108	(2.31%-6.01%)	5,800	—	1,094	4,706	98
Accrued early retirement costs, net		898	—	440	458	458
Judgments and claims		15,529	123	2,356	13,296	1,699
Compensated absences		13,325	8,536	8,978	12,883	8,529
Landfill closure and postclosure care costs		3,111	—	95	3,016	—
Other post employment benefits		43,215	49,395	—	92,610	—
Deferred amounts on bond premium		3,305	652	662	3,295	661
		<u>\$ 592,512</u>	<u>59,248</u>	<u>47,826</u>	<u>603,934</u>	<u>47,984</u>

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

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

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-7.00%) \$	9,884	32	1,272	8,644	1,258
Outside debt limit	(2.00%-7.00%)	124,058	1,089	9,229	115,918	9,182
MWPAT note payable	(2.00%-5.50%)	906	—	43	863	44
Judgments and claims		647	650	225	1,072	266
Compensated absences		784	669	630	823	660
Other post employment benefits		1,251	1,455	—	2,706	—
Deferred amounts on bond premium		54	18	7	65	6
		<u>\$ 137,584</u>	<u>3,913</u>	<u>11,406</u>	<u>130,091</u>	<u>11,416</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2009 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:						
2010	\$ 36,539	23,227	6,773	3,267	3,095	1,899
2011	36,179	21,515	7,005	2,933	2,979	1,765
2012	31,801	23,735	7,126	2,611	2,919	1,639
2013	29,454	22,753	7,421	2,287	2,525	1,525
2014	27,808	21,792	7,644	1,937	2,656	1,412
2015-2019	143,580	66,694	26,330	5,153	13,146	5,453
2020-2024	102,026	34,975	8,487	1,730	11,860	2,635
2025-2029	66,283	9,767	3,877	329	6,300	514
	<u>\$ 473,670</u>	<u>224,458</u>	<u>74,663</u>	<u>20,247</u>	<u>45,480</u>	<u>16,842</u>
			<u>Business-type activities</u>		<u>Business-type activities totals</u>	
			<u>Airport</u>	<u>Golf (non major)</u>	<u>Principal</u>	<u>Interest</u>
			<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2010	\$ 455	177	117	39	10,440	5,382
2011	470	153	116	34	10,570	4,885
2012	445	128	113	29	10,603	4,407
2013	470	103	92	25	10,508	3,940
2014	489	76	41	22	10,830	3,447
2015-2019	1,091	75	211	82	40,778	10,763
2020-2024	26	5	183	37	20,556	4,407
2025-2029	11	1	89	5	10,277	849
	<u>\$ 3,457</u>	<u>718</u>	<u>962</u>	<u>273</u>	<u>124,562</u>	<u>38,080</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$4,706. The City also has a loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to fund the Southbridge Street sewer separation project in the amount of \$863. Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2009 are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>			
	<u>General fund</u>		<u>Water</u>		<u>Airport</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2010	\$ 98	264	—	—	—	—
2011	103	259	—	—	—	—
2012	109	254	—	—	—	—
2013	113	249	—	—	—	—
2014	119	309	—	—	—	—
2015-2019	2,446	1,363	—	—	—	—
2020-2024	1,718	114	—	—	—	—
	<u>\$ 4,706</u>	<u>2,812</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>Business-type activities</u>		<u>Business-type activities totals</u>			
	<u>Sewer</u>		<u>Anticipated subsidy</u>		<u>Business-type activities totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2010	\$ 44	41	—	18	44	23
2011	45	39	—	17	45	22
2012	46	38	—	16	46	22
2013	48	35	—	16	48	19
2014	51	32	—	15	51	17
2015-2019	285	115	—	69	285	46
2020-2024	344	35	12	35	332	—
	<u>\$ 863</u>	<u>335</u>	<u>12</u>	<u>186</u>	<u>851</u>	<u>149</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(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, 2009 is as follows:

Inside debt limit:		
School construction	\$	67,070
Building rehabilitation		22,239
Union Station Garage		18,060
Street construction		9,699
Departmental equipment		5,790
Parks improvements		4,080
Off street parking		2,700
South Worcester Industrial Park		2,500
Worcester Center Boulevard Garage		2,250
Water building rehabilitation		2,240
Gateway Visitors Center		2,000
Worcester Center Boulevard Garage Walkway		1,850
Blackstone Valley Visitors' Center		1,500
Foley Stadium		1,450
Franklin Square Fire Station construction		940
Sewer equipment		890
Worcester Common rehabilitation		605
Land acquisition		500
Water equipment		475
Vocational School construction		410
Building demolition		269
Bridge construction		259
Major Taylor Boulevard Garage		250
Sewer building rehabilitation		225
Gateway bridge		105
Airport improvements		90
Traffic signals		75
Library design		60
Surface drain construction		50
Dam improvements		30
Urban Systems Gateway		2
Total inside debt limit		<u>148,663</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Outside debt limit:	
CitySquare	\$ 88,585
DCU building rehabilitation	29,250
Sewer construction	22,177
Water mains	3,734
Water filtration	2,835
Vocational School construction	2,175
Reservoir rehabilitation	1,990
December ice storm clean-up	1,125
Water meters	1,000
Surface drain construction	945
Airport improvements	795
Greenhill Park improvements	500
Sewer drainage	420
Watershed land	400
Greenhill Golf Course improvements	350
Water equipment	218
Water pump station rehabilitation	150
Water hydrants	50
	<hr/>
Total outside debt limit	156,699
	<hr/>
Total inside and outside debt limit	\$ 305,362
	<hr/> <hr/>

At June 30, 2009, in addition to debt authorized but unissued, the City may issue \$410,886 of additional general obligation debt under the normal debt limit. The City had \$467,285 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, 2009 was \$125,965.

(e) Current Refunding

On September 15, 2008, the City issued \$1,663 in general obligation refunding bonds with an average interest rate of 3.125% for the current refunding of \$1,640 of various other bonds with an average interest rate of 5.30%. The \$1,640 of refunded bonds were retired on January 1, 2009. The reacquisition price equaled the net carrying amount of the old debt. The transaction resulted in a reduction of approximately \$81 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 \$80.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

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

	Other Governmental Funds	Water Enterprise	Sewer Enterprise	Total
Refunding bonds issued	\$ 542	1,089	32	1,663
Refunding bonds premium	9	18	1	28
Refunded bonds retired	(535)	(1,075)	(30)	(1,640)
Bond issuance costs	<u>(16)</u>	<u>(32)</u>	<u>(3)</u>	<u>(51)</u>
Net gain/loss on refunding	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in debt service payments	\$ <u>26</u>	<u>53</u>	<u>2</u>	<u>81</u>
Economic gain	\$ <u>26</u>	<u>52</u>	<u>2</u>	<u>80</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(f) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2009:

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.	\$ 6,674
1999 General Obligation Bonds payable in varying annual installments at an average coupon rate of 5.32% with a final payment due August 1, 2009. The bond was advanced refunded during fiscal 2007.	525
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.	662
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.	338
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.	8,645
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.	42,581
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.	5,901
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.	24,990
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.	7,480
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.41% with a final payment due July 15, 2037.	11,745
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.	7,690
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.	23,200
Unamortized bond premium	1,855
Accrued sick leave	478
	<hr/>
Total long-term obligations	142,764
Less portion due within one year	(5,017)
	<hr/>
Amount due in more than one year	\$ 137,747
	<hr/> <hr/>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

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

	Gross payments			Anticipated subsidy	Net payments
	Principal	Interest	Total		
Year ending June 30:					
2010	\$ 4,886	4,818	9,704	1,314	8,390
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
2015-2019	27,993	17,488	45,481	4,613	40,868
2020-2024	24,850	12,357	37,207	2,939	34,268
2025-2029	23,661	7,776	31,437	2,422	29,015
2030-2034	24,853	3,358	28,211	1,823	26,388
2035-2039	13,506	546	14,052	322	13,730
	<u>\$ 140,431</u>	<u>64,207</u>	<u>204,638</u>	<u>18,316</u>	<u>186,322</u>

(g) Discretely Presented Component Units – WRA

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.93%) through 2007, then non-interest bearing.

\$ 1,611

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.00%) through 2007, then non-interest bearing.

695

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.15%) through 2007, then non-interest bearing.

79

Note payable, City of Worcester, unsecured, non-interest bearing.

4,026

Total

\$ 6,411

Repayment of these notes is not anticipated before June 30, 2010.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(12) Temporary Borrowings

(a) Primary Government

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

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

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures/expenses on temporary borrowings for the year ended June 30, 2009 in the general fund, stabilization fund, nonmajor governmental funds, and enterprise funds were \$1,277, \$165, \$48, and \$340 respectively. At June 30, 2009, the following 1.50% to 5.25% BANs (maturing through July 30, 2009 and November 6, 2009) were outstanding:

	<u>Outstanding as of June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding as of June 30, 2009</u>
Bond anticipation notes payable:				
School	\$ —	1,800	—	1,800
General	8,950	25,344	7,500	26,794
Water	—	5,740	—	5,740
Sewer	—	5,850	—	5,850
Golf course (nonmajor)	—	550	—	550
Total	<u>\$ 8,950</u>	<u>39,284</u>	<u>7,500</u>	<u>40,734</u>

(b) Subsequent Events

On July 30, 2009, the City paid down \$300 of a \$1,450 BAN for recreational facilities and renewed the BAN in the amount of \$1,150 at an interest rate of 3.50% and maturity date of July 30, 2010.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(c) Discretely Presented Component Units – The District

The District issues short-term notes as preliminary financing for major capital additions. Notes payable activity for the year ended June 30, 2009 was as follows:

	Outstanding as of June 30, 2008	Additions	Reductions	Outstanding as of June 30, 2009
Short-term notes	\$ 14,522	24,826	23,200	16,148

The outstanding notes mature on December 31, 2009 and bear interest at 0.55%.

(13) Interfund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2009 are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 646 (1)
General Fund	Capital Projects	375 (1)
Internal Service Fund	General Fund	340 (2)

(1) Represents temporary transfer to cover cash deficit.

(2) Represents temporary cash advance.

Transfers and their purposes during the year ended June 30, 2009 were as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

	Governmental funds				Proprietary funds			
	General Fund	Stabilization Fund	CitySquare Fund	Other Governmental Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund (Nonmajor)
Original budget:								
General fund - to fund debt payments	\$ (12,058)	12,058	-	-	-	-	-	-
General fund - to fund airport operations	(980)	-	-	-	-	-	980	-
Cemetery reserve - to fund parks and cemetery	32	-	-	(32)	-	-	-	-
Enterprises - to fund debt payments	1,440	-	-	-	(771)	(553)	(92)	(24)
Aid to highways Chapter 90 - to fund public works administration	373	-	-	(373)	-	-	-	-
City Square - to fund debt payments	674	-	(674)	-	-	-	-	-
Cemetery reserve - to fund parks and cemetery	78	-	-	(78)	-	-	-	-
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 Center - to fund marketing costs	125	-	-	(125)	-	-	-	-
DCU Stabilization - to fund marketing costs	375	(375)	-	-	-	-	-	-
Sale of cemetery lots and graves - to fund parks and cemetery operations	44	-	-	(44)	-	-	-	-
	<u>(9,150)</u>	<u>11,683</u>	<u>(674)</u>	<u>(1,399)</u>	<u>(771)</u>	<u>(553)</u>	<u>888</u>	<u>(24)</u>
Subsequent transfers:								
Stabilization fund - to fund debt payments	268	(268)	-	-	-	-	-	-
General fund - to fund airport operations	(205)	-	-	-	-	-	205	-
Public works project - to fund general fund stabilization	191	-	-	(191)	-	-	-	-
Library renovations - to fund general fund stabilization	637	-	-	(637)	-	-	-	-
FEMA reimbursement - to fund snow removal costs	1,152	-	-	(1,152)	-	-	-	-
General fund - to fund golf operations	(111)	-	-	-	-	-	-	111
General fund - to fund perpetual care fund	(55)	-	-	55	-	-	-	-
Damage settlements - to reimburse for damage to City property	108	-	-	(131)	-	23	-	-
Premium on loans - to fund bond issuance costs	328	-	-	(328)	-	-	-	-
Real estate sales - to fund land acquisitions	20	-	-	(20)	-	-	-	-
General fund - to fund DCU operations	(39)	-	-	39	-	-	-	-
Cable revenue - to fund technical services	3	-	-	(3)	-	-	-	-
Capital - to fund capital project acquisitions	-	-	-	(25)	(273)	298	-	-
	<u>\$ (6,853)</u>	<u>11,415</u>	<u>(674)</u>	<u>(3,792)</u>	<u>(1,044)</u>	<u>(232)</u>	<u>1,093</u>	<u>87</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(14) Environmental Remediation – The District

Plant Improvements

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

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

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

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$193,200. In accordance with the District's agreement with EPA, Phase I was essentially completed in 2008, and Phase II is to be completed by August 2009. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III has 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, 2009, the District has spent and capitalized approximately \$151,000, including capitalized interest of \$6,738.

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, 2009

(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, 2009, the District has spent and capitalized approximately \$1,670.

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

Changes in the self-insurance liability for health claims for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Health claims, beginning of year	\$ 4,712	3,251
Incurred claims	75,169	80,074
Payments of claims attributable to events of the current and prior fiscal years:		
Health	<u>(75,220)</u>	<u>(78,613)</u>
Health claims, end of year	\$ <u>4,661</u>	<u>4,712</u>

Changes in judgments and claims liability for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Judgments and claims, beginning of year	\$ 16,176	15,360
Additions to estimated claims liability	773	2,943
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(108)	(425)
Workers' compensation	<u>(2,473)</u>	<u>(1,702)</u>
Judgments and claims, end of year	\$ <u><u>14,368</u></u>	<u><u>16,176</u></u>

Judgments and claims consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Workers' compensation	\$ 14,253	16,076
Court judgments and legal settlements	<u>115</u>	<u>100</u>
	\$ <u><u>14,368</u></u>	<u><u>16,176</u></u>

The fiscal 2009 liability for judgments and claims consist of governmental and business-type activities in the amount of \$13,296 and \$1,072 respectively.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(16) Fund Deficits and Appropriation Deficits

Fund Deficits

The following funds had deficits at June 30, 2009:

Capital Projects Funds:		
Street and sidewalk	\$	2,567
Rehabilitation of public buildings		4,498
Capital equipment		2,022
School construction		2,673
Parks improvements		519
Franklin Street Fire Station		934
Other		881
Special Revenue Funds:		
DCU Center		1,810

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations for snow and ice removal and other state and regional charges. These over-expenditures will be funded by taxes and available funds during fiscal year 2010.

(17) Contingencies

In January 2000, the Massachusetts Port Authority (Massport) took over the operation of the City's airport. This was a five-year agreement in which Massport also assumed a share of any airport-operating deficit. During fiscal 2005, Massport offset 100% of the operating deficit, exclusive of debt service. During fiscal year 2005, this contract was renewed for a 3-year period and has since been extended through December 2008. Massport continued to pay 100% of the deficit in fiscal 2005. This percentage dropped to 85% in fiscal 2006 and dropped further to 68% in fiscal 2007 and increased to 79% through December 2008. As part of recently approved state transportation legislation, ownership of the airport will be transferred from the City to Massport by no later than June 30, 2010. Negotiations for a mutually agreed purchase price are ongoing. The carrying value of the airports' net assets could be impaired without the continuing support of Massport.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2009

(In thousands of dollars)

(18) Implementation of GASB Pronouncements

The City implemented the following GASB pronouncements during fiscal year 2009:

Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The implementation of this Statement had no impact on the financial statements.

Statement #52, *Land and Other Real Estate Held as Investments by Endowment*. The implementation of this Statement had no impact on the financial statements.

(19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

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

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

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.

These pronouncements will be implemented by their respective implementation dates.

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2009
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	\$ 195,687,885	195,427,961	197,548,896	2,120,935
Motor vehicle excise taxes	13,000,000	12,800,000	12,108,104	(691,896)
Penalties and interest on taxes:				
Property taxes	896,000	1,026,000	1,100,638	74,638
Tax titles	502,000	622,000	238,288	(383,712)
Motor vehicle excise	844,000	844,000	1,217,391	373,391
Special assessments	30,000	30,000	48,860	18,860
	<u>2,272,000</u>	<u>2,522,000</u>	<u>2,605,177</u>	<u>83,177</u>
Other taxes and in-lieu payments:				
In lieu of taxes	1,400,000	1,400,000	1,521,307	121,307
Special assessments	250,000	375,000	374,656	(344)
Hotel/motel tax	850,000	760,000	632,923	(127,077)
	<u>2,500,000</u>	<u>2,535,000</u>	<u>2,528,886</u>	<u>(6,114)</u>
Licenses and permits:				
Clerk	160,050	160,050	150,313	(9,737)
Code Inspection	2,228,250	2,549,650	2,308,766	(240,884)
Fire	194,660	194,660	246,094	51,434
Health	506,230	506,230	493,661	(12,569)
License Commission:				
Liquor licenses	788,700	788,700	810,854	22,154
Other	94,500	94,500	70,975	(23,525)
Police	78,200	78,200	85,875	7,675
Public Works	339,060	339,060	235,579	(103,481)
	<u>4,389,650</u>	<u>4,711,050</u>	<u>4,402,117</u>	<u>(308,933)</u>
Intergovernmental:				
State local aid	244,001,567	225,435,917	220,208,191	(5,227,726)
State school construction aid	18,828,104	18,828,104	17,805,421	(1,022,683)
School related Federal Medicare	5,610,000	5,610,000	5,976,340	366,340
Federal Medicare Part D	-	500,000	483,818	(16,182)
Federal indirect cost reimbursement	522,685	522,685	681,942	159,257
Retroactive state charter school aid	-	367,402	367,402	-
	<u>268,962,356</u>	<u>251,264,108</u>	<u>245,523,114</u>	<u>(5,740,994)</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2009

General Fund

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

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Fines and forfeitures:				
Parking fines	\$ 2,200,000	2,200,000	2,034,567	(165,433)
Court fines	1,315,000	1,315,000	1,102,012	(212,988)
	<u>3,515,000</u>	<u>3,515,000</u>	<u>3,136,579</u>	<u>(378,421)</u>
Investment earnings	<u>1,950,000</u>	<u>1,800,000</u>	<u>461,722</u>	<u>(1,338,278)</u>
Charges for services:				
Assessor	21,300	3,800	9,481	5,681
Auditorium	-	85,000	200,602	115,602
Clerk	660,000	600,000	580,560	(19,440)
Cable TV	25,000	25,000	23,288	(1,712)
Communications	1,200	1,200	365	(835)
Elder Affairs	30,500	30,500	44,297	13,797
Election Commission	-	-	802	802
Fire	233,800	233,800	238,753	4,953
Health	150,770	109,770	89,881	(19,889)
Hope Cemetery	210,000	210,000	234,124	24,124
Human Resources	10,000	-	-	-
Law	-	-	347	347
Library	63,500	63,500	67,546	4,046
Messenger	7,000	7,000	4,981	(2,019)
Parks	20,000	40,000	49,090	9,090
Planning	170,500	105,500	88,851	(16,649)
Police	502,300	429,400	449,338	19,938
Public Works	-	-	2,787	2,787
Purchasing	174,000	174,000	171,057	(2,943)
Schools	-	-	11,520	11,520
Trailer coach park	4,300	4,300	4,350	50
Trash bags	4,300,000	4,300,000	3,614,361	(685,639)
Treasurer	115,400	20,400	31,601	11,201
	<u>6,699,570</u>	<u>6,443,170</u>	<u>5,917,982</u>	<u>(525,188)</u>
Miscellaneous	<u>656,000</u>	<u>656,000</u>	<u>790,680</u>	<u>134,680</u>
Total revenues	<u>499,632,461</u>	<u>481,674,289</u>	<u>475,023,257</u>	<u>(6,651,032)</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2009
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	324,000	297,305	26,695
Ordinary maintenance	26,867	26,867	18,397	8,470
	<u>350,867</u>	<u>350,867</u>	<u>315,702</u>	<u>35,165</u>
Mayor:				
Salaries	98,582	98,582	97,220	1,362
Ordinary maintenance	5,205	5,205	4,648	557
	<u>103,787</u>	<u>103,787</u>	<u>101,868</u>	<u>1,919</u>
Manager:				
Salaries:				
Executive office	664,094	604,094	595,945	8,149
Planning & Development	905,357	880,357	834,748	45,609
Ordinary maintenance:				
Executive office	142,680	142,680	127,346	15,334
Planning & Development	88,978	90,578	86,736	3,842
Tourism promotion	-	500,000	500,000	-
	<u>1,801,109</u>	<u>2,217,709</u>	<u>2,144,775</u>	<u>72,934</u>
Auditor:				
Salaries	621,182	596,182	589,617	6,565
Ordinary maintenance	85,059	85,151	85,151	-
	<u>706,241</u>	<u>681,333</u>	<u>674,768</u>	<u>6,565</u>
Administration & Finance:				
Salaries	483,982	551,433	551,433	-
Ordinary maintenance	102,386	72,386	51,527	20,859
	<u>586,368</u>	<u>623,819</u>	<u>602,960</u>	<u>20,859</u>
Treasurer and Collector:				
Salaries	1,254,399	1,109,399	1,085,261	24,138
Ordinary maintenance	680,279	955,664	927,769	27,895
	<u>1,934,678</u>	<u>2,065,063</u>	<u>2,013,030</u>	<u>52,033</u>
Assessor:				
Salaries	663,245	663,246	657,306	5,940
Ordinary maintenance	25,373	25,373	25,083	290
	<u>688,618</u>	<u>688,619</u>	<u>682,389</u>	<u>6,230</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2009

General Fund

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

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
License Commission:				
Ordinary maintenance	\$ 1,200	1,200	703	497
	1,200	1,200	703	497
Law:				
Salaries	801,896	813,603	813,603	-
Ordinary maintenance	122,842	122,842	118,382	4,460
Casualty insurance	119,948	119,948	88,923	31,025
Court judgments	377,750	552,750	541,542	11,208
	1,422,436	1,609,143	1,562,450	46,693
Clerk:				
Salaries	679,558	679,558	675,616	3,942
Ordinary maintenance	21,053	21,053	17,079	3,974
	700,611	700,611	692,695	7,916
Messenger:				
Salaries	43,429	43,429	40,946	2,483
Ordinary maintenance	481,596	481,596	466,489	15,107
	525,025	525,025	507,435	17,590
Election Commission:				
Salaries	291,891	304,363	304,363	-
Ordinary maintenance	106,850	107,950	101,594	6,356
	398,741	412,313	405,957	6,356
Purchasing:				
Salaries	267,961	247,961	227,695	20,266
Ordinary maintenance	14,532	14,532	13,950	582
	282,493	262,493	241,645	20,848
Technical services:				
Salaries	1,963,189	1,928,189	1,926,832	1,357
Ordinary maintenance	1,079,595	1,082,495	1,078,997	3,498
	3,042,784	3,010,684	3,005,829	4,855
Human Resources:				
Salaries	813,322	768,322	763,213	5,109
Ordinary maintenance	228,510	270,510	265,179	5,331
	1,041,832	1,038,832	1,028,392	10,440
Total general government	13,586,790	14,291,498	13,980,598	310,900

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CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2009
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	\$ 38,969,002	38,574,447	38,271,370	303,077
Ordinary maintenance	2,245,000	2,083,211	2,045,481	37,730
	<u>41,214,002</u>	<u>40,657,658</u>	<u>40,316,851</u>	<u>340,807</u>
Fire:				
Salaries	33,496,341	32,696,341	32,465,261	231,080
Ordinary maintenance	1,334,840	1,024,538	1,000,800	23,738
Capital	25,000	26,964	24,757	2,207
	<u>34,856,181</u>	<u>33,747,843</u>	<u>33,490,818</u>	<u>257,025</u>
Inspectional services:				
Salaries	3,254,396	3,084,396	2,941,570	142,826
Ordinary maintenance	241,463	313,785	307,532	6,253
	<u>3,495,859</u>	<u>3,398,181</u>	<u>3,249,102</u>	<u>149,079</u>
Communications:				
Salaries	2,361,685	2,361,685	2,314,352	47,333
Ordinary maintenance	398,812	323,812	284,432	39,380
	<u>2,760,497</u>	<u>2,685,497</u>	<u>2,598,784</u>	<u>86,713</u>
Total public safety	<u>82,326,539</u>	<u>80,489,179</u>	<u>79,655,555</u>	<u>833,624</u>
Health and human services:				
Health:				
Salaries	804,947	772,947	749,822	23,125
Ordinary maintenance	758,077	1,226,218	1,213,406	12,812
	<u>1,563,024</u>	<u>1,999,165</u>	<u>1,963,228</u>	<u>35,937</u>
Elder Affairs:				
Salaries	364,019	337,894	328,650	9,244
Ordinary maintenance	349,151	360,276	347,064	13,212
	<u>713,170</u>	<u>698,170</u>	<u>675,714</u>	<u>22,456</u>
Total health and human services	<u>2,276,194</u>	<u>2,697,335</u>	<u>2,638,942</u>	<u>58,393</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2009
 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	\$ 165,309,677	162,483,897	162,483,897	-
Ordinary maintenance	40,525,426	37,212,081	37,207,848	4,233
Capital	245,000	263,240	263,236	4
Total education	206,080,103	199,959,218	199,954,981	4,237
Libraries:				
Public Library:				
Salaries	3,455,710	3,439,078	3,439,078	-
Ordinary maintenance	1,340,995	1,377,941	1,377,928	13
	4,796,705	4,817,019	4,817,006	13
Regional Library:				
Salaries and benefits	66,326	48,356	48,177	179
Ordinary maintenance	53,329	71,478	71,478	-
	119,655	119,834	119,655	179
Total libraries	4,916,360	4,936,853	4,936,661	192
Public works:				
Department of Public Works:				
Salaries	6,309,118	6,148,613	5,686,949	461,664
Ordinary maintenance	6,412,623	6,328,389	5,978,868	349,521
Snow and ice removal	2,259,114	3,906,770	7,006,770	(3,100,000)
Street lighting	3,087,828	3,087,828	3,074,517	13,311
	18,068,683	19,471,600	21,747,104	(2,275,504)
Union Station:				
Ordinary maintenance	577,007	744,007	744,007	-
Total public works	18,645,690	20,215,607	22,491,111	(2,275,504)

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2009
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks and Cemetery:				
Salaries	\$ 3,239,457	3,216,046	3,125,726	90,320
Ordinary maintenance	831,496	831,496	831,026	470
	<u>4,070,953</u>	<u>4,047,542</u>	<u>3,956,752</u>	<u>90,790</u>
Auditorium:				
Ordinary maintenance	119,706	122,706	122,706	-
Civic center:				
Debt service	249,121	-	-	-
	<u>4,439,780</u>	<u>4,170,248</u>	<u>4,079,458</u>	<u>90,790</u>
Intergovernmental:				
County assessment	147,071	147,071	147,071	-
Health insurance - retirees	9,198	9,198	9,198	-
Regional planning	41,092	40,581	40,581	-
Regional Transit Authority	2,296,276	2,240,269	2,240,269	-
Air pollution control	36,825	36,825	36,825	-
Charter Schools and school choice	21,900,572	20,989,623	21,033,457	(43,834)
School choice	-	1,641,144	1,903,903	(262,759)
Special education - Chapter 766	157,040	157,137	196,165	(39,028)
Registry parking ticket surcharge	410,940	410,940	494,720	(83,780)
	<u>24,999,014</u>	<u>25,672,788</u>	<u>26,102,189</u>	<u>(429,401)</u>
Debt service:				
Principal	19,548,170	19,766,170	19,766,170	-
Interest	8,470,518	9,158,345	9,158,345	-
Pension obligation bond:				
Municipal departments:				
Principal	5,960,000	5,960,000	5,960,000	-
Interest	4,851,211	4,851,211	4,851,211	-
Enterprise funds (interest)	1,438,864	1,438,864	1,438,864	-
Public schools (interest)	4,349,058	4,349,058	4,349,058	-
	<u>44,617,821</u>	<u>45,523,648</u>	<u>45,523,648</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2009

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	\$ 14,499,563	14,535,833	14,521,222	14,611
Public Schools	5,575,409	5,559,462	5,559,462	-
Noncontributory pensions:				
Municipal departments	172,976	172,976	160,625	12,351
Public Schools	306,086	259,367	259,367	-
	<u>20,554,034</u>	<u>20,527,638</u>	<u>20,500,676</u>	<u>26,962</u>
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	1,191,522	1,191,522	977,173	214,349
Public Schools	323,700	583,539	583,539	-
Public safety injured on duty	398,918	578,918	578,917	1
Unemployment compensation:				
Municipal departments	100,000	576,000	539,932	36,068
Public Schools	353,674	273,406	273,406	-
	<u>2,367,814</u>	<u>3,203,385</u>	<u>2,952,967</u>	<u>250,418</u>
Group insurance:				
Municipal departments	25,277,488	24,525,524	24,284,185	241,339
Public Schools	39,610,208	26,660,990	26,660,990	-
	<u>64,887,696</u>	<u>51,186,514</u>	<u>50,945,175</u>	<u>241,339</u>
Total fringe benefits	<u>87,809,544</u>	<u>74,917,537</u>	<u>74,398,818</u>	<u>518,719</u>
Contingency	654,726	1,768,654	-	1,768,654
Total expenditures	<u>490,352,561</u>	<u>474,642,565</u>	<u>473,761,961</u>	<u>880,604</u>
Excess of revenues over expenditures	<u>9,279,900</u>	<u>7,031,724</u>	<u>1,261,296</u>	<u>(5,770,428)</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2009
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	\$ 5,352,307	6,596,725	6,596,725	-
Transfers out	(13,632,207)	(13,449,985)	(13,449,985)	-
Premium on loans	-	-	303,118	303,118
Total other financing sources (uses)	<u>(8,279,900)</u>	<u>(6,853,260)</u>	<u>(6,550,142)</u>	<u>303,118</u>
Net changes in fund balance	1,000,000	178,464	(5,288,846)	(5,467,310)
Budgetary fund balance - beginning	10,596,851	10,596,851	10,596,851	-
Budgetary fund balance - ending	<u>\$ 11,596,851</u>	<u>10,775,315</u>	<u>5,308,005</u>	<u>(5,467,310)</u>

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan Schedules

June 30, 2009

(In thousands of dollars)

Pension Plan Schedules

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

SCHEDULES OF FUNDING PROGRESS (WRS)

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accrued Liability	(b - a) Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio (%)	(c) Covered Payroll	(b - a)/c UAAL as a Percent of Covered Payroll (%)
1/1/2004	\$ 577,123	743,570	166,447	77.62	\$ 138,797	119.92
1/1/2005	606,100	771,948	165,849	78.52	147,127	112.73
1/1/2006	644,017	806,957	162,941	79.81	145,831	111.73
1/1/2007	716,797	837,608	120,811	85.58	152,838	79.05
1/1/2008	759,410	889,924	130,514	85.33	156,585	83.35
1/1/2009	631,894	929,569	297,675	67.98	166,050	179.27

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2003	\$ 18,928	100
2004	20,150	100
2005	23,579	106
2006	23,355	100
2007	24,166	100
2008	24,947	100

CITY OF WORCESTER, MASSACHUSETTS
 Required Supplementary Information – Pension Plan Schedules
 June 30, 2009
 (In thousands of dollars)

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

CITY SHARE OF WRS ARC

<u>Year Ended</u> <u>June 30</u>	<u>ARC</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed (%)</u>	<u>City ARC as a</u> <u>Percentage of</u> <u>WRS ARC (%)</u>
2004	\$ 17,161	100	90.7%
2005	18,110	100	89.9%
2006	21,526	100	91.3%
2007	21,241	100	90.9%
2008	22,089	100	91.4%
2009	22,742	100	91.2%

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2009

(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 2009, the original general fund expenditure budget was decreased by \$15,710.

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, 2009:

	<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	\$ 475,023	473,762	(6,550)	(5,289)
MTRS on-behalf payments	48,606	48,606	—	—
COLA on-behalf payments	1,198	1,198	—	—
Adjustment of revenues to a modified basis	<u>(510)</u>	<u>—</u>	<u>—</u>	<u>(510)</u>
As reported on a GAAP basis	<u>\$ 524,317</u>	<u>523,566</u>	<u>(6,550)</u>	<u>(5,799)</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, 2009

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

Special Revenue

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

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

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

Police Auxiliary – accounts for police off-duty details.

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

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

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

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

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

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

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

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

Capital Projects

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

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2009

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

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

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Other – accounts for various trusts.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ 428,179	939,701	122,769	467,403	524,099
Restricted cash and cash equivalents	—	—	—	—	—
Restricted investments	—	—	—	—	—
Receivables	—	—	275,588	—	9,432
Due from other governments	—	—	—	—	—
Total assets	\$ 428,179	939,701	398,357	467,403	533,531
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	131,528	—	137,505	948
Retainage payable	—	—	—	—	—
Due to general fund	—	—	—	—	—
Temporary loans	—	—	—	—	—
Deferred revenue	—	—	275,588	—	9,432
Other liabilities	2,238,170	—	—	—	—
Total liabilities	2,238,170	131,528	275,588	137,505	10,380
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	(1,809,991)	808,173	122,769	329,898	523,151
Capital projects funds	—	—	—	—	—
Expendable permanent funds	—	—	—	—	—
Total fund balances	(1,809,991)	808,173	122,769	329,898	523,151
Total liabilities and fund balances	\$ 428,179	939,701	398,357	467,403	533,531

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	School Grants	City Grants	Subtotal
1,608,638	12,058,988	195,461	3,138,573	14,421,668	7,299,603	41,205,082
—	—	—	—	—	—	—
—	119,544	—	—	—	—	404,564
—	—	—	—	—	527,163	527,163
<u>1,608,638</u>	<u>12,178,532</u>	<u>195,461</u>	<u>3,138,573</u>	<u>14,421,668</u>	<u>7,826,766</u>	<u>42,136,809</u>
17,988	—	103,506	1,008,628	392,253	914,882	2,707,238
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	119,544	—	—	—	—	404,564
—	—	—	—	—	—	2,238,170
<u>17,988</u>	<u>119,544</u>	<u>103,506</u>	<u>1,008,628</u>	<u>392,253</u>	<u>914,882</u>	<u>5,349,972</u>
—	—	—	—	—	—	—
—	—	91,955	2,129,945	14,029,415	6,911,884	23,163,199
1,590,650	12,058,988	—	—	—	—	13,623,638
—	—	—	—	—	—	—
<u>1,590,650</u>	<u>12,058,988</u>	<u>91,955</u>	<u>2,129,945</u>	<u>14,029,415</u>	<u>6,911,884</u>	<u>36,786,837</u>
<u>1,608,638</u>	<u>12,178,532</u>	<u>195,461</u>	<u>3,138,573</u>	<u>14,421,668</u>	<u>7,826,766</u>	<u>42,136,809</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	<u>Capital Projects Funds</u>				
	<u>DCU Center Construction</u>	<u>Street and Sidewalk</u>	<u>Rehabilitation of Public Buildings</u>	<u>Capital Equipment</u>	<u>School Construction</u>
Assets:					
Cash and cash equivalents	\$ 106,139	761,931	18,516	52,114	853
Restricted cash and cash equivalents	644,262	2,466,321	1,392,406	1,123,077	521,432
Restricted investments	—	—	—	—	—
Receivables	—	—	—	—	—
Due from other governments	—	—	—	—	—
Total assets	\$ 750,401	3,228,252	1,410,922	1,175,191	522,285
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 214	638,089	18,517	52,115	1,194,463
Retainage payable	—	207,329	95,097	—	201,087
Due to general fund	—	—	—	—	—
Temporary loans	395,000	4,950,000	5,795,000	3,145,000	1,800,000
Deferred revenue	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total liabilities	395,214	5,795,418	5,908,614	3,197,115	3,195,550
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	355,187	(2,567,166)	(4,497,692)	(2,021,924)	(2,673,265)
Expendable permanent funds	—	—	—	—	—
Total fund balances	355,187	(2,567,166)	(4,497,692)	(2,021,924)	(2,673,265)
Total liabilities and fund balances	\$ 750,401	3,228,252	1,410,922	1,175,191	522,285

Capital Projects Funds

Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
—	7,559	27,981	8,615	983,708
—	2,445,110	3,103	1,170,617	9,766,328
—	—	—	—	—
—	—	—	—	—
1,465,150	—	—	—	1,465,150
<u>1,465,150</u>	<u>2,452,669</u>	<u>31,084</u>	<u>1,179,232</u>	<u>12,215,186</u>
32,922	—	—	157,339	2,093,659
51,557	86	25,000	33,200	613,356
374,919	—	—	—	374,919
1,525,000	—	940,000	1,870,000	20,420,000
—	—	—	—	—
—	—	—	—	—
<u>1,984,398</u>	<u>86</u>	<u>965,000</u>	<u>2,060,539</u>	<u>23,501,934</u>
—	—	—	—	—
—	—	—	—	—
(519,248)	2,452,583	(933,916)	(881,307)	(11,286,748)
<u>(519,248)</u>	<u>2,452,583</u>	<u>(933,916)</u>	<u>(881,307)</u>	<u>(11,286,748)</u>
<u>1,465,150</u>	<u>2,452,669</u>	<u>31,084</u>	<u>1,179,232</u>	<u>12,215,186</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Permanent Funds

	Hope Cemetery	Health Department	Libraries	Schools	Parks
Assets:					
Cash and cash equivalents	\$ 121,632	109,630	339,698	53,171	17,900
Restricted cash and cash equivalents	—	—	—	—	—
Restricted investments	1,907,863	1,508,050	5,623,454	426,544	256,468
Receivables	—	—	—	—	—
Due from other governments	—	—	—	—	—
Total assets	\$ 2,029,495	1,617,680	5,963,152	479,715	274,368
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	—	16,429	6,500	—
Retainage payable	—	—	—	—	—
Due to general fund	—	—	—	—	—
Temporary loans	—	—	—	—	—
Deferred revenue	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total liabilities	—	—	16,429	6,500	—
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	2,029,495	1,590,588	5,933,310	449,830	270,440
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	—	—	—	—	—
Expendable permanent funds	—	27,092	13,413	23,385	3,928
Total fund balances	2,029,495	1,617,680	5,946,723	473,215	274,368
Total liabilities and fund balances	\$ 2,029,495	1,617,680	5,963,152	479,715	274,368

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
281	17,889	25,051	2,264	687,516	42,876,306
—	—	—	—	—	9,766,328
5,403	257,571	340,574	5,063	10,330,990	10,330,990
—	—	—	—	—	404,564
—	—	—	—	—	1,992,313
<u>5,684</u>	<u>275,460</u>	<u>365,625</u>	<u>7,327</u>	<u>11,018,506</u>	<u>65,370,501</u>
—	2,239	—	—	25,168	4,826,065
—	—	—	—	—	613,356
—	—	—	—	—	374,919
—	—	—	—	—	20,420,000
—	—	—	—	—	404,564
—	—	—	—	—	2,238,170
—	<u>2,239</u>	—	—	<u>25,168</u>	<u>28,877,074</u>
5,684	270,986	358,312	5,327	10,913,972	10,913,972
—	—	—	—	—	23,163,199
—	—	—	—	—	13,623,638
—	—	—	—	—	(11,286,748)
—	2,235	7,313	2,000	79,366	79,366
<u>5,684</u>	<u>273,221</u>	<u>365,625</u>	<u>7,327</u>	<u>10,993,338</u>	<u>36,493,427</u>
<u>5,684</u>	<u>275,460</u>	<u>365,625</u>	<u>7,327</u>	<u>11,018,506</u>	<u>65,370,501</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, 2009

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ —	9,014,802	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	1,217,180	812,781	5,534,208	—	431,675
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	1,217,180	9,827,583	5,534,208	—	431,675
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	—	5,464,803	—	191,193
Health and human services	—	—	—	—	—
Education	—	9,163,838	—	—	—
Libraries	—	—	—	—	—
Public works	—	—	—	1,767,930	43,045
Culture and recreation	538,772	—	—	—	18,937
Community development	—	—	—	—	—
Debt service:					
Principal	377,187	—	—	668,869	—
Interest	315,011	—	—	671,335	—
Total expenditures	1,230,970	9,163,838	5,464,803	3,108,134	253,175
Excess (deficiency) of revenues over expenditures	(13,790)	663,745	69,405	(3,108,134)	178,500
Other financing sources (uses):					
Transfers in	—	—	—	3,232,695	—
Transfers (out)	(85,442)	—	—	—	—
Premium on issuance of bonds	—	—	—	—	—
Issuance of refunding bonds	—	—	—	—	—
Refunded bonds redeemed	—	—	—	—	—
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	(85,442)	—	—	3,232,695	—
Net change in fund balances	(99,232)	663,745	69,405	124,561	178,500
Fund balances – beginning	(1,710,759)	144,428	53,364	205,337	344,651
Fund balances – ending	\$ (1,809,991)	808,173	122,769	329,898	523,151

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	School Grants	City Grants	Subtotal
370,445	1,182,178	5,320,684	8,199,309	70,184,572	13,852,386	108,124,376
—	—	—	—	—	1,411	1,411
1,332,555	5,806,446	—	1,214	1,200	—	15,137,259
—	—	—	—	430,065	2,038,149	2,468,214
—	455,102	—	—	—	—	455,102
1,703,000	7,443,726	5,320,684	8,200,523	70,615,837	15,891,946	126,186,362
—	—	—	—	—	1,669,479	1,669,479
—	—	—	—	—	3,703,188	9,359,184
—	—	—	7,434,321	—	8,004,493	15,438,814
1,173,328	—	—	—	65,413,766	—	75,750,932
—	—	—	—	—	775,371	775,371
—	—	—	—	—	537,882	2,348,857
—	—	—	—	—	120,849	678,558
—	—	4,056,306	—	—	—	4,056,306
—	—	265,117	—	—	1,094,000	2,405,173
—	—	289,919	—	—	154,819	1,431,084
1,173,328	—	4,611,342	7,434,321	65,413,766	16,060,081	113,913,758
529,672	7,443,726	709,342	766,202	5,202,071	(168,135)	12,272,604
9,026	—	—	—	235,214	—	3,476,935
—	(6,170,909)	(743,326)	—	—	(294,857)	(7,294,534)
—	339,367	—	—	—	—	339,367
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	324,759	—	—	—	—	324,759
9,026	(5,506,783)	(743,326)	—	235,214	(294,857)	(3,153,473)
538,698	1,936,943	(33,984)	766,202	5,437,285	(462,992)	9,119,131
1,051,952	10,122,045	125,939	1,363,743	8,592,130	7,374,876	27,667,706
1,590,650	12,058,988	91,955	2,129,945	14,029,415	6,911,884	36,786,837

(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, 2009

	Capital Projects Funds				
	DCU Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	\$ —	3,645,210	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	<u>—</u>	<u>3,645,210</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:					
Current:					
General government	—	—	622,508	371,237	—
Public safety	—	—	201,402	1,204,600	—
Health and human services	—	—	23,021	24,572	—
Education	—	—	2,532,050	440,578	6,785,698
Libraries	—	—	—	183,361	—
Public works	—	10,748,745	668,123	351,704	—
Culture and recreation	223,572	—	491,031	242,692	—
Community development	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	<u>223,572</u>	<u>10,748,745</u>	<u>4,538,135</u>	<u>2,818,744</u>	<u>6,785,698</u>
Excess (deficiency) of revenues over expenditures	<u>(223,572)</u>	<u>(7,103,535)</u>	<u>(4,538,135)</u>	<u>(2,818,744)</u>	<u>(6,785,698)</u>
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers (out)	—	(373,000)	(800,000)	(74,670)	—
Premium on issuance of bonds	—	—	2,512	—	6,283
Issuance of refunding bonds	—	—	42,000	—	500,000
Refunded bonds redeemed	—	—	(40,000)	—	(495,000)
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>(373,000)</u>	<u>(795,488)</u>	<u>(74,670)</u>	<u>11,283</u>
Net change in fund balances	<u>(223,572)</u>	<u>(7,476,535)</u>	<u>(5,333,623)</u>	<u>(2,893,414)</u>	<u>(6,774,415)</u>
Fund balances – beginning	<u>578,759</u>	<u>4,909,369</u>	<u>835,931</u>	<u>871,490</u>	<u>4,101,150</u>
Fund balances – ending	\$ <u><u>355,187</u></u>	<u><u>(2,567,166)</u></u>	<u><u>(4,497,692)</u></u>	<u><u>(2,021,924)</u></u>	<u><u>(2,673,265)</u></u>

Capital Projects Funds

Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
2,515,289	2,768,211	250,000	—	9,178,710
—	—	—	158	158
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>2,515,289</u>	<u>2,768,211</u>	<u>250,000</u>	<u>158</u>	<u>9,178,868</u>
—	—	—	—	993,745
—	—	1,902,010	—	3,308,012
—	—	—	—	47,593
—	—	—	—	9,758,326
—	—	—	—	183,361
5,028,813	1,050,053	—	990,143	13,808,768
—	—	—	—	5,986,108
—	—	—	886,101	886,101
—	—	—	—	—
—	—	—	—	—
<u>5,028,813</u>	<u>1,050,053</u>	<u>1,902,010</u>	<u>1,876,244</u>	<u>34,972,014</u>
(2,513,524)	1,718,158	(1,652,010)	(1,876,086)	(25,793,146)
97,138	—	821,000	400,000	1,318,138
—	—	—	—	(1,247,670)
—	—	—	—	8,795
—	—	—	—	542,000
—	—	—	—	(535,000)
—	—	—	—	—
<u>97,138</u>	<u>—</u>	<u>821,000</u>	<u>400,000</u>	<u>86,263</u>
(2,416,386)	1,718,158	(831,010)	(1,476,086)	(25,706,883)
<u>1,897,138</u>	<u>734,425</u>	<u>(102,906)</u>	<u>594,779</u>	<u>14,420,135</u>
<u>(519,248)</u>	<u>2,452,583</u>	<u>(933,916)</u>	<u>(881,307)</u>	<u>(11,286,748)</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, 2009

	<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 (losses)	(383,250)	(265,210)	(1,014,246)	(76,392)	(49,503)
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	47,722	—	1,371	3,127	—
Miscellaneous	—	—	—	—	—
Total revenues	(335,528)	(265,210)	(1,012,875)	(73,265)	(49,503)
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Health and human services	—	44,402	—	—	—
Education	—	—	—	10,242	—
Libraries	—	—	112,371	—	—
Public works	—	—	—	—	—
Culture and recreation	268	—	—	—	718
Community development	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	268	44,402	112,371	10,242	718
Excess (deficiency) of revenues over expenditures	(335,796)	(309,612)	(1,125,246)	(83,507)	(50,221)
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers (out)	(46,472)	—	—	—	—
Premium on issuance of bonds	—	—	—	—	—
Issuance of refunding bonds	—	—	—	—	—
Refunded bonds redeemed	—	—	—	—	—
Sale of capital assets	—	—	—	—	—
Total other financing sources (uses)	(46,472)	—	—	—	—
Net change in fund balances	(382,268)	(309,612)	(1,125,246)	(83,507)	(50,221)
Fund balances – beginning	2,411,763	1,927,292	7,071,969	556,722	324,589
Fund balances – ending	\$ <u>2,029,495</u>	<u>1,617,680</u>	<u>5,946,723</u>	<u>473,215</u>	<u>274,368</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
—	—	—	—	—	117,303,086
(1,039)	(47,768)	(65,515)	(1,051)	(1,903,974)	(1,902,405)
—	—	—	—	—	15,137,259
—	5,410	—	—	57,630	2,468,214
—	—	—	—	—	57,630
—	—	—	—	—	455,102
(1,039)	(42,358)	(65,515)	(1,051)	(1,846,344)	133,518,886
—	—	—	—	—	2,663,224
—	—	—	—	—	12,667,196
—	—	—	2,000	46,402	15,532,809
—	—	—	—	10,242	85,519,500
—	—	—	—	112,371	1,071,103
—	31,703	—	—	31,703	16,189,328
—	—	—	—	986	6,665,652
—	—	—	—	—	4,942,407
—	—	—	—	—	2,405,173
—	—	—	—	—	1,431,084
—	31,703	—	2,000	201,704	149,087,476
(1,039)	(74,061)	(65,515)	(3,051)	(2,048,048)	(15,568,590)
—	—	—	1,980	1,980	4,797,053
—	—	—	—	(46,472)	(8,588,676)
—	—	—	—	—	348,162
—	—	—	—	—	542,000
—	—	—	—	—	(535,000)
—	—	—	—	—	324,759
—	—	—	1,980	(44,492)	(3,111,702)
(1,039)	(74,061)	(65,515)	(1,071)	(2,092,540)	(18,680,292)
6,723	347,282	431,140	8,398	13,085,878	55,173,719
5,684	273,221	365,625	7,327	10,993,338	36,493,427

(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, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 578,600	578,600	558,534	(20,066)
Intergovernmental	1,853,084	1,853,084	1,395,168	(457,916)
Miscellaneous	160,000	160,000	288,574	128,574
Total revenues	<u>2,591,684</u>	<u>2,591,684</u>	<u>2,242,276</u>	<u>(349,408)</u>
Expenditures:				
Salaries and benefits	1,470,776	1,332,783	1,230,319	102,464
Ordinary maintenance	1,408,562	1,546,482	1,516,646	29,836
Debt service	600,731	600,804	600,804	—
Total expenditures	<u>3,480,069</u>	<u>3,480,069</u>	<u>3,347,769</u>	<u>132,300</u>
(Deficiency) of revenues over expenditures	<u>(888,385)</u>	<u>(888,385)</u>	<u>(1,105,493)</u>	<u>(217,108)</u>
Other financing sources (uses):				
Transfers in	979,511	1,184,258	1,184,258	—
Transfers (out)	(91,126)	(91,126)	(91,126)	—
Total other financing sources	<u>888,385</u>	<u>1,093,132</u>	<u>1,093,132</u>	<u>—</u>
Net changes in fund balance	—	204,747	(12,361)	(217,108)
Budgetary fund balance – beginning	<u>12,361</u>	<u>12,361</u>	<u>12,361</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 12,361</u>	<u>217,108</u>	<u>—</u>	<u>(217,108)</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, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,239,741	1,239,741	1,045,189	(194,552)
Miscellaneous	10,000	10,000	2,536	(7,464)
Total revenues	<u>1,249,741</u>	<u>1,249,741</u>	<u>1,047,725</u>	<u>(202,016)</u>
Expenditures:				
Salaries and benefits	310,430	310,430	297,129	13,301
Ordinary maintenance	670,625	670,625	635,958	34,667
Debt service	167,000	167,000	156,233	10,767
Indirect costs	76,998	76,998	74,322	2,676
Total expenditures	<u>1,225,053</u>	<u>1,225,053</u>	<u>1,163,642</u>	<u>61,411</u>
Excess (deficiency) of revenues over expenditures	<u>24,688</u>	<u>24,688</u>	<u>(115,917)</u>	<u>(140,605)</u>
Other financing sources (uses):				
Transfers in	—	111,147	111,147	—
Transfers (out)	(24,688)	(24,688)	(24,688)	—
Total other financing sources (uses)	<u>(24,688)</u>	<u>86,459</u>	<u>86,459</u>	<u>—</u>
Net changes in fund balance	<u>—</u>	<u>111,147</u>	<u>(29,458)</u>	<u>(140,605)</u>
Budgetary fund balance – beginning	<u>29,458</u>	<u>29,458</u>	<u>29,458</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 29,458</u>	<u>140,605</u>	<u>—</u>	<u>(140,605)</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, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 29,228,888	29,228,888	27,922,990	(1,305,898)
Miscellaneous	375,000	375,000	385,065	10,065
Total revenues	<u>29,603,888</u>	<u>29,603,888</u>	<u>28,308,055</u>	<u>(1,295,833)</u>
Expenditures:				
Salaries and benefits	5,392,231	5,452,062	5,237,979	214,083
Ordinary maintenance	15,410,285	15,410,285	14,318,550	1,091,735
Capital	24,500	47,000	36,846	10,154
Debt service	5,069,934	5,010,103	5,006,274	3,829
Indirect costs	3,155,025	3,155,025	3,155,025	—
Total expenditures	<u>29,051,975</u>	<u>29,074,475</u>	<u>27,754,674</u>	<u>1,319,801</u>
Excess of revenues over expenditures	<u>551,913</u>	<u>529,413</u>	<u>553,381</u>	<u>23,968</u>
Other financing sources (uses):				
Transfers in	—	22,500	22,500	—
Transfers (out)	(551,913)	(551,913)	(551,913)	—
Total other financing sources (uses)	<u>(551,913)</u>	<u>(529,413)</u>	<u>(529,413)</u>	<u>—</u>
Net changes in fund balance	<u>—</u>	<u>—</u>	<u>23,968</u>	<u>23,968</u>
Budgetary fund balance – beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ —</u>	<u>—</u>	<u>23,968</u>	<u>23,968</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, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Charges for services	\$ 24,872,996	24,872,996	24,030,825	(842,171)
Miscellaneous	782,600	782,600	873,083	90,483
Total revenues	<u>25,655,596</u>	<u>25,655,596</u>	<u>24,903,908</u>	<u>(751,688)</u>
Expenditures:				
Salaries and benefits	9,881,360	9,881,360	8,981,588	899,772
Ordinary maintenance	3,247,023	3,247,023	3,129,015	118,008
Capital	25,000	25,000	24,259	741
Debt service	9,639,292	9,639,292	9,624,812	14,480
Indirect costs	2,091,784	2,091,784	2,091,784	—
Total expenditures	<u>24,884,459</u>	<u>24,884,459</u>	<u>23,851,458</u>	<u>1,033,001</u>
Excess of revenues over expenditures	<u>771,137</u>	<u>771,137</u>	<u>1,052,450</u>	<u>281,313</u>
Other financing (uses):				
Transfers (out)	<u>(771,137)</u>	<u>(771,137)</u>	<u>(771,137)</u>	<u>—</u>
Net changes in fund balance	—	—	281,313	281,313
Budgetary fund balance – beginning	<u>425,467</u>	<u>425,467</u>	<u>425,467</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 425,467</u>	<u>425,467</u>	<u>706,780</u>	<u>281,313</u>

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CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Governmental activities capital assets, by type:		
Land	\$ 18,194,412	16,691,412
Buildings	325,908,879	309,048,316
Improvements other than buildings	17,330,918	15,119,738
Rolling equipment	5,619,818	6,001,568
Equipment and other	2,946,529	2,938,755
Infrastructure	87,446,622	79,827,347
Construction in progress	<u>25,378,291</u>	<u>41,083,966</u>
Total governmental activities capital assets	<u>\$ 482,825,469</u>	<u>470,711,102</u>
Investments in governmental activities capital assets by source:		
General fund	\$ 771,492	858,903
Special revenue fund	49,033,484	47,230,748
Capital projects fund	432,049,887	421,542,825
Donations	<u>970,606</u>	<u>1,078,626</u>
Total governmental activities capital assets	<u>\$ 482,825,469</u>	<u>470,711,102</u>

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2009

<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	—	1,995,289	—
Law	—	—	—
Treasurer	—	—	—
Total general government	<u>3,525,231</u>	<u>1,995,289</u>	<u>—</u>
Public safety:			
Police	514,500	2,871,950	300,960
Fire	1,074,600	13,167,085	—
Code Inspection	209,905	519,152	—
Communications	—	—	—
Total public safety	<u>1,799,005</u>	<u>16,558,187</u>	<u>300,960</u>
Health and human services:			
Workforce Central	—	—	—
Health	—	—	—
Elder Affairs	—	2,227,298	41,748
Total health and human services	<u>—</u>	<u>2,227,298</u>	<u>41,748</u>
Public works	<u>3,489,339</u>	<u>37,618,366</u>	<u>414,322</u>
Education	<u>3,447,537</u>	<u>200,561,928</u>	<u>2,080,794</u>
Library	<u>305,000</u>	<u>16,938,876</u>	<u>—</u>
Culture and recreation:			
Auditorium	150,000	1,847,305	—
DCU Center	263,000	41,789,330	—
Hope Cemetery	290,000	915,481	—
Parks	4,925,300	5,456,819	14,493,094
Total culture and recreation	<u>5,628,300</u>	<u>50,008,935</u>	<u>14,493,094</u>
Total governmental activities capital assets	<u>\$ 18,194,412</u>	<u>325,908,879</u>	<u>17,330,918</u>

<u>Rolling equipment</u>	<u>Equipment and other</u>	<u>Infrastructure</u>	<u>Construction in progress</u>	<u>Total</u>
—	—	—	—	3,525,231
—	268,266	—	—	2,263,555
—	6,747	—	—	6,747
—	1,474	—	—	1,474
—	<u>276,487</u>	—	—	<u>5,797,007</u>
109,492	91,131	—	—	3,888,033
3,177,137	137,124	60,972	25,000	17,641,918
—	8,958	—	—	738,015
—	396,051	—	—	396,051
<u>3,286,629</u>	<u>633,264</u>	<u>60,972</u>	<u>25,000</u>	<u>22,664,017</u>
—	3,227	—	—	3,227
—	9,700	—	—	9,700
—	5,019	—	—	2,274,065
—	<u>17,946</u>	—	—	<u>2,286,992</u>
<u>1,808,668</u>	<u>177,823</u>	<u>87,333,725</u>	<u>12,146,817</u>	<u>142,989,060</u>
<u>136,034</u>	<u>885,437</u>	—	<u>10,664,498</u>	<u>217,776,228</u>
—	<u>772,242</u>	—	—	<u>18,016,118</u>
—	—	—	—	1,997,305
—	—	—	163,798	42,216,128
8,859	2,003	—	—	1,216,343
<u>379,628</u>	<u>181,327</u>	<u>51,925</u>	<u>2,378,178</u>	<u>27,866,271</u>
<u>388,487</u>	<u>183,330</u>	<u>51,925</u>	<u>2,541,976</u>	<u>73,296,047</u>
<u>5,619,818</u>	<u>2,946,529</u>	<u>87,446,622</u>	<u>25,378,291</u>	<u>482,825,469</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, 2009

<u>Function and activity</u>	<u>Governmental activities capital assets July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental activities capital assets June 30, 2009</u>
General government:				
Manager	\$ 3,525,231	—	—	3,525,231
Assessor	—	—	—	—
Information Services	2,053,237	295,878	85,560	2,263,555
Law	13,722	—	6,975	6,747
Purchasing	—	—	—	—
Treasurer	2,064	—	590	1,474
Total general government	<u>5,594,254</u>	<u>295,878</u>	<u>93,125</u>	<u>5,797,007</u>
Public safety:				
Police	4,254,654	—	366,621	3,888,033
Fire	15,909,416	2,737,989	1,005,487	17,641,918
Code Inspection	728,332	63,901	54,218	738,015
Communications	234,046	242,279	80,274	396,051
Total public safety	<u>21,126,448</u>	<u>3,044,169</u>	<u>1,506,600</u>	<u>22,664,017</u>
Health and human services:				
Workforce Central	8,310	—	5,083	3,227
Health	26,666	—	16,966	9,700
Elder Affairs	2,494,224	—	220,159	2,274,065
Total health and human services	<u>2,529,200</u>	<u>—</u>	<u>242,208</u>	<u>2,286,992</u>
Public works	<u>133,892,931</u>	<u>19,011,101</u>	<u>9,914,972</u>	<u>142,989,060</u>
Education	<u>218,272,395</u>	<u>9,164,467</u>	<u>9,660,634</u>	<u>217,776,228</u>
Libraries	<u>18,591,498</u>	<u>178,323</u>	<u>753,703</u>	<u>18,016,118</u>
Culture and recreation:				
Auditorium	1,700,041	451,125	153,861	1,997,305
DCU Center	44,216,474	163,798	2,164,144	42,216,128
Hope Cemetery	1,261,985	—	45,642	1,216,343
Parks	23,525,876	5,618,397	1,278,002	27,866,271
Total culture and recreation	<u>70,704,376</u>	<u>6,233,320</u>	<u>3,641,649</u>	<u>73,296,047</u>
Total governmental activities capital assets	<u>\$ 470,711,102</u>	<u>37,927,258</u>	<u>25,812,891</u>	<u>482,825,469</u>

CITY OF WORCESTER, MASSACHUSETTS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Cash and cash equivalents	\$ 446,218	544,945	(535,383)	455,780
LIABILITIES				
Accounts payable and accrued expenses	\$ 28,129	18,372	(28,129)	18,372
Due to student groups	418,089	526,573	(507,254)	437,408
Total liabilities	\$ 446,218	544,945	(535,383)	455,780

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Worcester's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Table of Contents

	Page
Financial Trends	127
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	140
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	144
These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	150
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

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CITY OF WORCESTER, MASSACHUSETTS

Net Assets by Component

Last Nine Fiscal Years*

(accrual basis of accounting)

(amounts expressed in thousands)

Table 1

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:									
Invested in capital assets, net of related debt	\$ 186,030	208,610	243,106	256,677	234,732	227,174	289,306	297,706	310,433
Restricted	25,386	19,749	11,862	13,305	39,064	29,255	45,711	65,072	42,371
Unrestricted	(188,838)	(196,541)	(216,752)	(226,088)	(221,341)	(217,317)	(228,007)	(273,357)	(284,509)
Total governmental activities net assets	<u>\$ 22,578</u>	<u>31,818</u>	<u>38,216</u>	<u>43,894</u>	<u>52,455</u>	<u>39,112</u>	<u>107,010</u>	<u>89,421</u>	<u>68,295</u>
Business-type activities:									
Invested in capital assets, net of related debt	\$ 114,441	113,110	110,722	117,755	109,124	104,871	99,181	110,861	121,480
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
Total business-type net assets	<u>\$ 125,643</u>	<u>124,917</u>	<u>123,874</u>	<u>124,776</u>	<u>125,423</u>	<u>125,142</u>	<u>123,930</u>	<u>122,577</u>	<u>131,506</u>
Primary government:									
Invested in capital assets, net of related debt	\$ 300,471	321,720	353,828	374,432	343,856	332,045	388,487	408,567	431,913
Restricted	25,764	20,169	12,275	13,558	41,813	29,255	45,711	65,072	42,371
Unrestricted	(178,014)	(185,154)	(204,013)	(219,320)	(207,791)	(197,046)	(203,258)	(261,641)	(274,483)
Total primary government net assets	<u>\$ 148,221</u>	<u>156,735</u>	<u>162,090</u>	<u>168,670</u>	<u>177,878</u>	<u>164,254</u>	<u>230,940</u>	<u>211,998</u>	<u>199,801</u>

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

CITY OF WORCESTER, MASSACHUSETTS

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

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)	2009
Expenses									
Governmental activities:									
General government	\$ 18,882	20,689	14,195	14,458	16,316	18,222	19,583	22,268	23,416
Public safety	78,344	85,686	93,949	98,633	105,119	113,545	115,321	132,411	130,554
Health and human services	21,498	20,933	19,164	17,431	21,524	20,880	19,873	23,366	21,229
Education (1)	243,393	278,295	303,760	314,670	329,699	353,126	366,311	406,208	421,160
Libraries	5,278	6,193	6,837	6,719	6,941	7,323	7,735	8,347	9,015
Public works	26,223	22,126	26,567	34,274	31,077	27,027	26,954	34,727	41,457
Culture and recreation	6,928	7,104	7,676	9,354	7,684	8,471	10,886	11,548	7,460
Community development	5,117	4,518	4,002	4,429	4,189	3,565	3,873	4,764	4,942
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
Total governmental activities expenses	436,998	472,887	505,301	524,624	554,053	577,495	595,819	669,005	683,767
Business-type activities:									
Water	19,466	20,352	20,753	20,804	21,535	22,141	24,727	25,213	25,669
Sewer	14,767	16,731	16,310	17,238	22,719	24,352	28,309	29,258	31,134
Airport	3,857	4,906	4,389	3,958	4,158	4,527	4,360	4,703	5,082
Golf course (nonmajor)	984	1,215	1,082	1,030	1,026	1,164	1,180	1,227	1,148
Total business-type expenses	39,074	43,204	42,534	43,030	49,438	52,184	58,576	60,401	63,033
Total primary government expenses	\$ 476,072	516,091	547,835	567,654	603,491	629,679	654,395	729,406	746,800
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
Public works	5,135	5,219	4,510	6,337	6,674	7,436	8,005	9,160	11,078
Other activities	9,950	7,975	8,784	6,823	6,889	6,700	7,780	7,641	7,383
Operating grants and contributions (1)	222,313	251,539	277,029	284,486	303,411	295,107	315,692	326,824	346,309
Capital grants and contributions	2,781	2,315	2,338	4,539	5,160	5,217	65,551	28,979	23,187
Total governmental activities program revenues	247,297	274,906	304,313	314,228	335,131	327,400	410,953	386,184	399,770
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
Sewer	13,408	14,190	14,548	15,627	19,775	22,449	25,670	26,928	28,939
Airport	1,412	1,651	1,002	687	915	978	844	802	862
Golf course (nonmajor)	1,022	1,114	1,050	1,068	1,029	1,041	1,088	1,127	1,048
Operating grants and contributions	1,449	733	1,329	1,202	1,241	1,006	593	1,174	1,395
Capital grants and contributions	8,785	2,247	1,470	3,362	3,081	3,114	2,255	4,226	14,821
Total business-type activities program revenues	45,325	41,621	41,933	45,100	50,173	51,323	55,073	58,508	72,058
Total primary government program revenues	\$ 292,622	316,527	346,246	359,328	385,304	378,723	466,026	444,692	471,828

(continued)

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

Table 2

	2001	2002	2003	2004	2005	2006	2007	2008 (2)	2009
Net (expense)/revenue									
Governmental activities	\$ (189,701)	(197,981)	(200,988)	(210,396)	(218,922)	(250,095)	(184,866)	(282,821)	(283,997)
Business-type activities	6,251	(1,583)	(601)	2,070	735	(861)	(3,503)	(1,893)	9,025
Total primary government net (expense)/ revenue	<u>\$ (183,450)</u>	<u>(199,564)</u>	<u>(201,589)</u>	<u>(208,326)</u>	<u>(218,187)</u>	<u>(250,956)</u>	<u>(188,369)</u>	<u>(284,714)</u>	<u>(274,972)</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
Motor vehicle excise taxes	12,733	12,941	13,438	12,581	13,503	12,096	11,893	12,932	11,393
Intergovernmental	51,353	47,425	42,016	39,406	43,026	44,146	53,813	54,561	48,493
Other	10,661	8,685	7,174	6,458	9,073	9,493	10,060	8,436	5,063
Transfers (net)	(654)	(857)	442	1,168	88	(580)	(2,291)	(540)	96
Gain on sale of capital assets	-	-	-	-	-	-	-	622	296
Donations	-	-	-	-	-	-	-	-	58
Total governmental activities	<u>208,770</u>	<u>207,221</u>	<u>207,386</u>	<u>216,074</u>	<u>227,483</u>	<u>236,752</u>	<u>252,764</u>	<u>265,232</u>	<u>262,871</u>
Business-type activities									
Transfers (net)	654	857	(442)	(1,168)	(88)	580	2,291	540	(96)
Total primary government	<u>\$ 209,424</u>	<u>208,078</u>	<u>206,944</u>	<u>214,906</u>	<u>227,395</u>	<u>237,332</u>	<u>255,055</u>	<u>265,772</u>	<u>262,775</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)
Business-type activities	6,905	(726)	(1,043)	902	647	(281)	(1,212)	(1,353)	8,929
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>

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

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

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

(concluded)

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

Table 3

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel 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	758	202,620
2009	197,472	11,393	633	209,498

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

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Last Nine Fiscal Years*

(modified accrual basis of accounting)

(amounts expressed in thousands)

Table 4

	2001	2002	2003	2004	2005	2006	2007	2008	2009
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
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>
All other governmental funds:									
Reserved	\$ 20,505	24,515	28,180	32,861	37,387	29,102	34,323	30,418	34,077
Unreserved, reported in:									
Special revenue funds	15,163	13,748	18,526	20,103	20,646	18,056	11,171	13,438	17,974
Capital projects funds (1)	(11,024)	(17,383)	(13,988)	20,372	16,923	(12,039)	11,196	34,529	8,215
Permanent funds	604	742	127	88	60	153	191	125	79
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>

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

(1) Unreserved fund balance in capital projects funds increased when temporary debt outstanding at year end was repaid with permanent debt before the audit reporting date in fiscal 2004, 2005 and 2008.

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

Table 5

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Property taxes	\$ 131,351	133,885	140,712	148,322	156,945	163,706	171,484	177,781	189,419	197,777
Motor vehicle excise taxes	11,324	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370
Other taxes and in-lieu payments	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188	2,556	2,529
Penalties and interest on taxes	2,115	1,938	1,977	2,702	2,669	2,867	2,564	2,520	2,414	2,605
Licenses and permits	4,444	4,826	4,468	5,266	5,486	5,692	5,571	4,354	4,726	4,402
Intergovernmental (1) (2)	253,679	274,278	302,715	315,660	327,833	356,548	350,840	407,873	406,883	413,836
Charges for services	15,197	14,718	14,595	17,644	16,758	17,645	17,913	19,920	21,107	21,055
Fines and forfeitures	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137
Investment earnings	2,464	2,779	755	1,085	1,811	2,056	3,100	4,292	2,766	(929)
Donations	1,792	2,317	4,731	2,683	3,022	2,908	2,640	3,793	4,951	2,468
Contributions to permanent funds	46	442	62	65	48	145	107	159	291	58
Miscellaneous	2,225	2,541	1,713	1,215	1,224	3,063	1,725	1,295	1,013	1,246
Total revenues	428,699	454,546	489,352	513,578	533,678	572,627	573,619	639,868	652,111	659,554
EXPENDITURES										
General government	14,018	15,733	17,652	12,006	12,023	13,861	14,314	15,720	17,957	16,644
Public safety	67,346	65,427	74,806	75,079	72,876	79,286	82,119	87,316	93,942	92,323
Health and human services	19,599	18,646	17,967	17,001	14,055	18,545	17,045	16,470	19,649	18,172
Education	231,680	222,361	241,600	239,150	256,223	271,977	261,385	257,076	261,869	285,359
Libraries	9,822	16,210	10,392	6,745	4,651	4,686	5,087	5,474	5,626	6,008
Public works	19,933	22,845	21,069	24,026	24,833	29,652	29,629	44,611	49,363	39,126
Culture and recreation	4,916	8,212	9,083	6,046	6,663	9,609	6,236	8,729	9,140	10,745
Fringe benefits (1)	41,754	43,094	71,052	85,622	103,213	118,377	126,381	130,746	136,213	124,318
Community development	4,872	5,101	4,518	4,001	4,429	4,189	3,565	3,873	4,764	4,942
Redevelopment	2,266	6,543	2,719	4,238	30	5,769	-	-	-	-
State & regional charges (2)	3,041	2,132	2,276	2,424	14,909	16,514	19,445	20,551	23,914	26,102
Debt service:										
Principal	17,755	23,147	25,997	26,715	27,216	28,124	30,430	32,886	32,774	34,761
Interest	26,450	25,512	24,223	25,464	24,515	24,674	25,034	26,020	25,829	26,098
Total expenditures	463,452	474,963	523,354	528,517	565,636	625,263	620,670	649,472	681,040	684,598
Excess of revenues (under) expenditures	(34,753)	(20,417)	(34,002)	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)

(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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 6,136	9,819	12,576	17,947	14,248	17,608	14,048	13,968	21,296	23,452
Transfers (out)	(8,625)	(10,473)	(13,433)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)
Premium on issuance of bonds and notes	725	827	1,262	633	487	3,697	702	464	423	651
Sale of capital assets	-	-	-	-	-	-	-	-	1,366	325
Issuance of refunding bonds	-	-	11,135	9,345	-	18,241	55,960	-	-	542
Issuance of bonds and notes	50,130	48,414	25,695	25,665	72,440	54,915	-	33,775	50,067	-
Payments to refunded bond escrow agent	-	-	(11,135)	(9,345)	-	(18,241)	(55,960)	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	-	-	-	(535)
Total other financing sources	<u>48,366</u>	<u>48,587</u>	<u>26,100</u>	<u>26,740</u>	<u>73,453</u>	<u>58,700</u>	<u>122</u>	<u>31,948</u>	<u>52,439</u>	<u>1,079</u>
Net change in fund balances	\$ <u>13,613</u>	<u>28,170</u>	<u>(7,902)</u>	<u>11,801</u>	<u>41,495</u>	<u>6,064</u>	<u>(46,929)</u>	<u>22,344</u>	<u>23,510</u>	<u>(23,965)</u>
Debt service as a percentage of noncapital expenditures	n/a	11.0%	10.4%	10.3%	9.9%	9.3%	9.4%	9.6%	9.2%	10.3%

(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

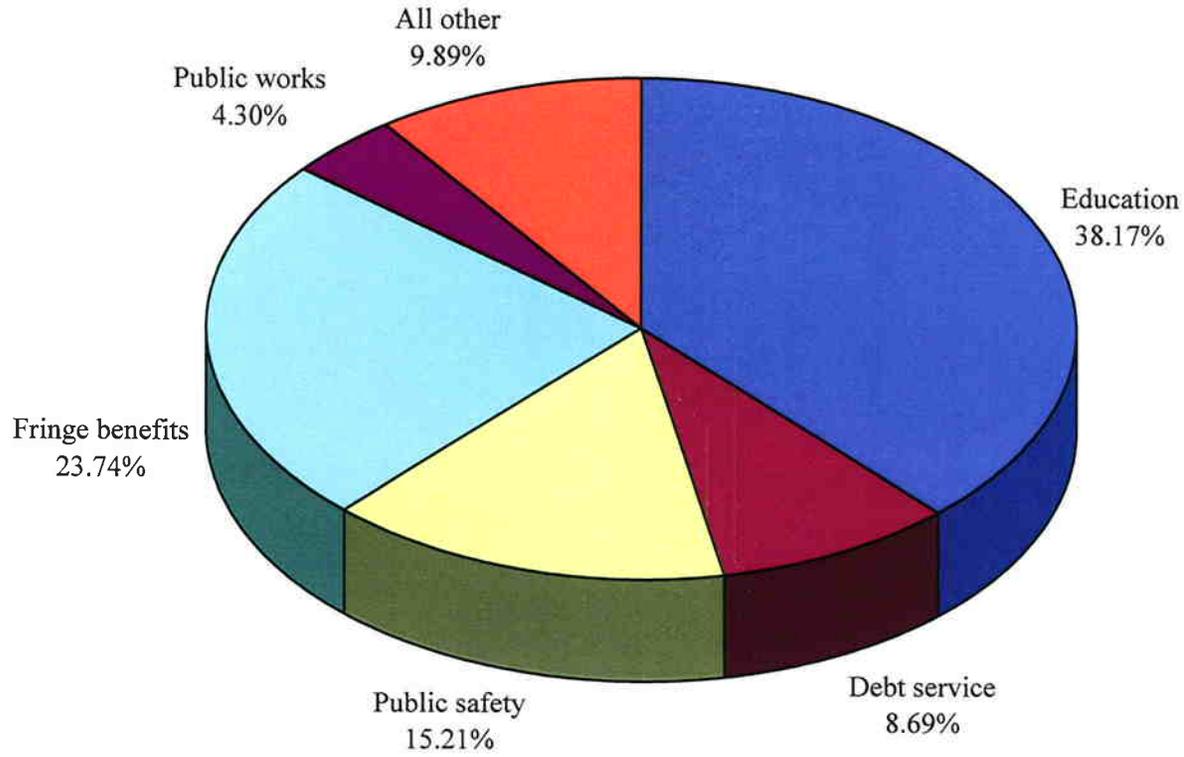
Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Total
2000	\$130,798	11,134	684	142,616
2001	133,885	12,460	766	147,111
2002	140,712	13,091	782	154,585
2003	148,322	14,085	713	163,120
2004	156,942	13,205	684	170,831
2005	163,706	13,101	753	177,560
2006	171,484	12,189	709	184,382
2007	177,781	12,545	845	191,171
2008	189,419	12,677	758	202,854
2009	197,777	11,370	633	209,780

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of
Accounting
Year ended June 30, 2009

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	\$ 12,760	12,990	14,726	10,326	10,391	11,216	12,574	13,316	13,785	13,981
Public safety	56,609	58,025	62,954	64,045	63,359	64,776	71,360	74,813	78,576	79,656
Health and human services	5,267	5,426	5,595	3,658	2,841	2,805	3,629	3,832	3,776	2,639
Education	165,579	172,357	179,401	181,006	189,472	190,912	199,411	191,976	197,241	199,840
Libraries	3,661	3,717	4,183	4,093	3,771	3,816	4,195	4,518	4,533	4,937
Public works	13,183	17,165	14,848	17,598	15,086	19,000	17,537	16,610	20,121	22,491
Culture and recreation	3,694	4,111	4,238	3,880	3,068	3,305	3,484	3,923	3,867	4,079
Fringe benefits (1)	41,754	43,157	71,052	85,622	103,212	118,377	126,381	130,746	136,213	124,318
State and regional charges (2)	3,041	2,132	2,276	2,424	14,909	16,514	19,445	20,550	23,914	26,102
Debt service	41,474	44,488	44,501	44,971	44,299	44,478	44,114	45,466	45,328	45,523
Totals	\$ <u>347,022</u>	<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>

- (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, 2009

Graph 2

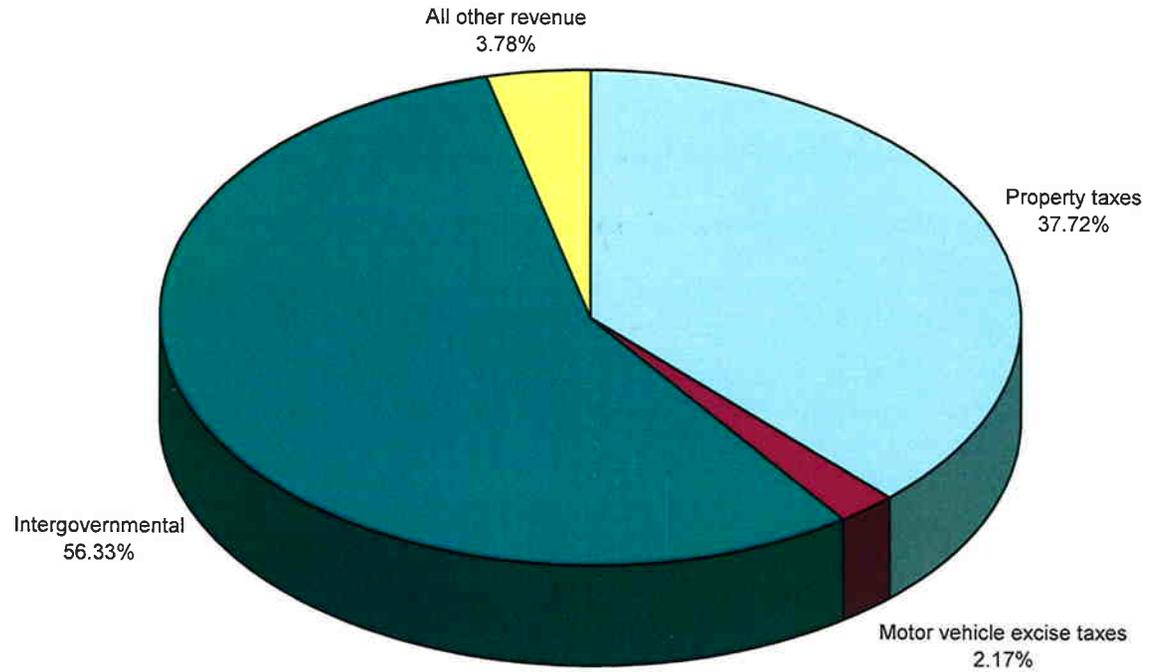


Table 8

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Property taxes	\$ 130,798	133,885	140,712	148,322	156,942	163,706	171,484	177,781	189,419	197,777
Motor vehicle excise taxes	11,134	12,460	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370
Other taxes and in-lieu payments	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188	2,556	2,529
Penalties and interest on taxes	2,114	1,938	1,977	2,702	2,670	2,867	2,564	2,520	2,414	2,605
Licenses and permits	4,401	4,577	4,468	5,266	5,486	5,692	5,571	4,355	4,726	4,402
Intergovernmental (1) (2)	192,139	206,423	232,834	241,946	268,001	280,301	293,362	295,983	311,475	295,327
Charges for services	2,373	2,355	2,477	3,613	3,864	4,052	3,760	5,684	6,232	5,918
Fines and forfeitures	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137
Investment earnings	2,263	2,921	1,321	664	476	1,170	2,140	2,349	1,806	462
Miscellaneous	1,159	2,218	1,257	895	733	1,079	852	1,093	773	790
Totals	\$ <u>350,443</u>	<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>

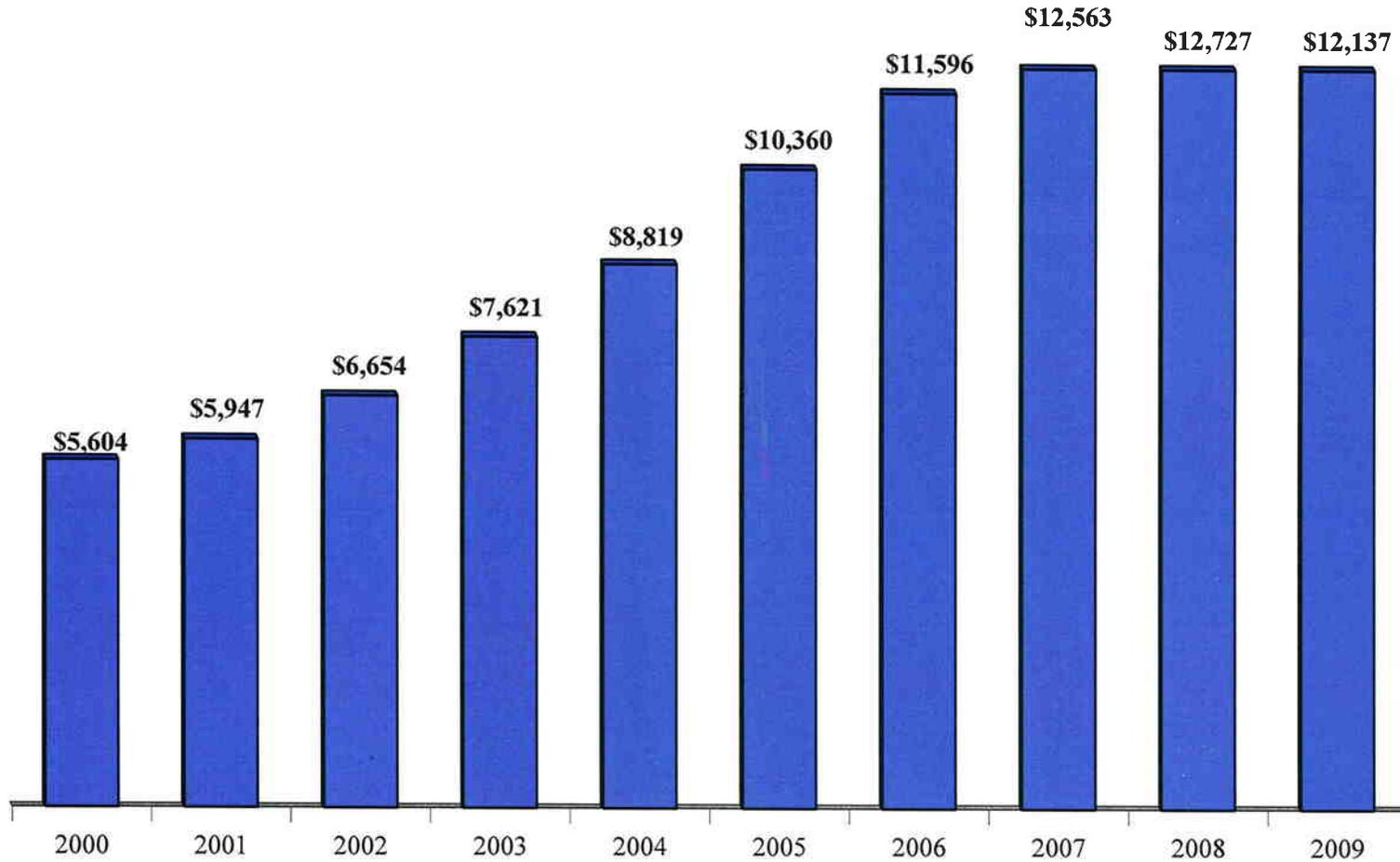
- (1) In fiscal year 2002 on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and were accounted for.
- (2) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were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

Table 9

Fiscal Year	Assessed value			Total taxable Assessed Value	Total Direct tax Rate	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
	Residential Property	Commercial and Industrial Property	Personal Property							
2000	\$ 4,021,970	1,300,352	281,778	5,604,100	23.52	5,536,578	101.22%	\$ 1,694,931	7,299,031	23.22%
2001	4,335,259	1,308,185	303,520	5,946,964	22.74	6,010,162	98.95	1,689,279	7,636,243	22.12
2002	4,984,353	1,355,745	314,115	6,654,213	21.27	6,010,162	110.72	1,830,384	8,484,597	21.57
2003	5,912,081	1,382,048	326,949	7,621,078	19.59	7,248,688	105.14	2,110,469	9,731,547	21.69
2004	7,036,273	1,446,202	336,277	8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
2005	8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86	2,445,616	12,805,705	19.10
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
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

Table 10

CITY OF WORCESTER, MASSACHUSETTS
Principal Taxpayers - Current Year and Nine Years Ago
June 30, 2009
(Amounts expressed in thousands)

Taxpayer	Type of business	2009				2000			
		Assessed valuation	Rank	Fiscal 2009 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2000 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 140,142	1	\$ 4,024	2.02%	\$ 125,331	1	\$ 4,555	3.46%
Verizon	Telephone utility	74,698	2	2,145	1.08	56,367	2	2,048	1.55
Alexandria Real Estate Equities	Biotechnology park	63,729	3	1,830	0.92	—	—	—	—
NStar	Gas utility	54,486	4	1,564	0.79	38,654	6	1,405	1.07
V3B SA LLC (Lincoln Plaza)	Shopping mall	52,952	5	1,521	0.76	—	—	—	—
Hanover Insurance Group (Allmerica)	Insurance	50,347	6	1,446	0.73	48,481	3	1,760	1.34
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	44,337	7	1,273	0.64	43,445	5	1,579	1.32
VHS Acquisition (St. Vincent Hospital)	Health care facilities	42,989	8	1,235	0.62	23,429	9	841	0.64
Worcester TC LLC (Abbott Research)	Biotechnology research	42,479	9	1,220	0.61	38,124	7	1,385	1.08
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	40,268	10	1,156	0.58	48,059	4	1,746	1.33
Norton Company	Abrasives manufacturer	—	—	—	—	29,604	8	1,076	0.82
Hegarty, David et al (Fallon)	Health care facilities	—	—	—	—	17,006	10	612	0.46
	Totals	\$ <u>606,427</u>		\$ <u>17,414</u>	<u>8.75%</u>	\$ <u>468,500</u>		\$ <u>17,007</u>	<u>13.07%</u>

Source: Assessor's department

Table 11

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Five 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	5,806	179,204	99.98
2008	188,296	182,941	97.16	5,101	188,042	99.87
2009	196,989	191,875	97.40	—	191,875	97.40

* 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			
2000	\$ 427,968	—	99,488	—	527,456	15.00%	3,107
2001	450,765	—	103,858	—	554,623	15.21	3,212
2002	452,683	—	101,336	—	554,019	14.55	3,209
2003	451,740	—	101,169	—	552,909	14.51	3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	14.46	3,530
2008	507,329	5,800	133,942	906	647,977	14.49	3,753
2009	473,670	4,706	124,562	863	603,801	12.73	3,497

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>
2000	\$	527,456	9.53%	3,107
2001		554,623	9.23	3,212
2002		554,019	9.22	3,209
2003		552,909	7.63	3,203
2004		600,544	8.38	3,519
2005		630,329	6.50	3,651
2006		592,954	6.12	3,434
2007		602,764	4.76	3,491
2008		641,271	5.07	3,714
2009		598,232	4.33	3,465

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)

	2000	2001 (2)	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit (1)	\$ 138,414	283,599	150,254	181,217	362,434	484,731	484,731	632,729	632,729	691,359
Total net debt applicable to limit	128,856	250,307	125,014	170,375	180,376	199,169	208,140	268,676	268,621	280,473
Legal debt limit	\$ 9,558	33,292	25,240	10,842	182,058	285,562	276,591	364,053	364,108	410,886
Total net debt applicable to the limit as a percentage of debt limit	93.09%	88.26%	83.20%	94.02%	49.77%	41.09%	42.94%	42.46%	42.45%	40.57%

Legal Debt Margin Calculation for Fiscal Year 2009

Equalized valuation - real estate and personal property (January 1, 2009)	\$	13,827,180
Debt limit - 5% of equalized valuation		691,359
Total bonded debt (including authorized and unissued of \$305,362)		904,457
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(467,285)
Less bonded debt authorized but not yet issued which is outside the debt limit		(156,699)
Legal debt margin	\$	410,886

(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) (2)	Per Capita Personal Income (3)	Median Age (3)	Public School Enrollment (4)	Unemployment Rate (5)
2000	172,648 (1)	\$ 3,213,670	18,614	33.4	24,629	2.9
2001	173,025 (2)				24,931	3.9
2002	174,078 (2)				25,037	5.4
2003	175,071 (2)				24,885	7.0
2004	175,495 (2)				24,363	7.0
2005	175,770 (2)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (2)	3,989,327	22,680		23,404	5.7
2007	175,454 (2)	4,216,455	24,032		23,682	6.3
2008	175,521 (2)	4,471,694	25,704		22,844	5.7
2009	182,596 (2)	4,742,672	27,099		22,356	9.3

(1) 2000 Census

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

(3) 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.

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

(5) Source: Massachusetts Department of Workforce Development

CITY OF WORCESTER, MASSACHUSETTS

Table 16

Full Time Employees
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	238	236	241	201	189	188	197	200	201	175
Public safety										
Police										
Officers	450	472	459	424	468	456	468	465	448	438
Civilians	60	33	56	39	45	47	53	54	51	49
Fire										
Officers	447	456	445	398	429	421	410	402	403	384
Civilians	35	22	11	12	16	10	10	11	11	9
Other public safety (1)	56	58	56	105	95	98	86	89	97	116
Health and human services (1)	205	206	206	89	89	92	102	96	94	56
Education	4,046	4,060	4,111	3,905	3,821	3,698	3,658	3,506	3,384	3,433
Libraries	94	94	97	87	80	82	84	81	82	79
Public works	221	224	217	196	182	183	189	185	189	189
Culture and recreation	63	85	65	56	52	51	49	48	53	50
Water	127	126	120	117	114	112	111	106	105	111
Sewer	57	55	56	52	58	54	54	55	54	58
Airport	22	21	23	21	16	16	18	17	16	16
Golf course	3	3	3	3	2	3	3	3	2	2
Totals	<u>6,124</u>	<u>6,151</u>	<u>6,166</u>	<u>5,705</u>	<u>5,656</u>	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>	<u>5,190</u>	<u>5,165</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	2009			2000		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
UMass Memorial Health Care	Health care	14,738	1	19.10%	9,974	1	12.52%
University of Massachusetts Medical School	Education	5,607	2	7.27	6,362	2	7.99
City of Worcester	Government and education	5,165	3	6.69	6,124	3	7.69
Saint Vincent's Hospital	Health care	2,210	4	2.86	2,000	7	2.51
Saint Gobain (formerly Norton Co.)	Abrasives manufacturer	2,162	5	2.80	2,300	6	2.89
Hanover Insurance Group	Insurance	1,951	6	2.53	3,511	4	4.41
Fallon Clinic	Health care	1,820	7	2.36	2,840	5	3.57
Clark University	Education	1,496	8	1.94	-	-	-
Polar Beverages	Bottling company	1,452	9	1.88	-	-	-
Quinsigamond Community College	Education	890	10	1.15	945	8	1.19
College of the Holy Cross	Education	-	-	-	826	9	1.04
Worcester Telegram and Gazette	Newspaper	-	-	-	800	10	1.00

Source: Worcester Regional Chamber of Commerce

CITY OF WORCESTER, MASSACHUSETTS

Table 18

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police (1), (2)										
Total arrests	9,047	8,108	7,759	8,033	6,482	7,014	7,853	8,581	9,360	8,658
Different individuals arrested	6,578	6,081	5,938	6,041	5,154	5,366	5,916	6,671	7,082	6,584
Arrests for selected charges										
Drug-related	2,118	2,122	2,403	2,792	1,611	1,638	2,829	2,668	2,574	2,582
Aggravated assault	806	629	579	667	633	540	679	571	679	704
Disorderly conduct, disturbing peace	1,834	1,563	1,654	1,679	1,357	1,351	1,071	1,201	1,291	1,210
Prostitution and related	138	152	204	230	195	234	232	178	214	223
Sexual assault, including rape	31	34	43	59	23	22	33	29	41	39
Armed robbery	55	48	54	52	73	73	57	66	70	43
Murder /manslaughter, attempted murder	40	26	33	46	24	46	7	14	6	12
Fire (1)										
Total Incidents	27,427	32,681	33,054	29,350	22,839	21,778	22,076	22,498	24,735	29,002
Selected incidents										
EMS	12,356	13,516	13,377	14,624	16,038	15,383	14,558	15,654	15,086	18,167
Structure fires	799	799	797	716	454	417	749	681	663	828
Arson fires	68	25	30	43	42	31	29	28	29	37
Vehicle fires	240	320	284	269	206	184	184	139	132	120
Good intent	1,983	2,092	2,201	3,658	1,019	1,149	1,322	1,514	1,452	1,665
False alarm	1,701	1,708	1,632	1,591	1,542	1,705	3,102	2,971	3,134	3,849
Highways and streets										
Streets and resurfacing (1), (3)	9	8	8	9	16	14	14	15	15	14
Potholes repaired	n/a	11,481	9,105	13,268	15,596	7,895	13,403	11,489	13,088	12,030
Sanitation										
Refuse collected (tons/day)	104.68	109.39	112.70	106.62	107.05	104.15	102.78	100.30	91.06	88.65
Recyclable collected (tons/day)	41.23	43.04	36.70	36.99	38.71	37.70	37.20	34.77	36.07	33.97
Water										
New connections	321	312	377	389	463	454	373	271	239	188
Water main breaks	349	288	199	61	65	76	50	56	55	72
Average daily consumption (thousands of gallons)	22,844	22,589	23,578	24,091	23,932	23,595	22,681	22,187	22,960	22,264
Wastewater										
Average daily sewage treatment (thousands of gallons)	34,172	30,541	33,195	31,944	27,743	31,364	30,156	33,200	31,700	34,600

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

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	12	12	11	11	11	11	11	10
Education:										
Schools	51	52	52	52	49	49	49	45	46	46
Libraries	3	3	3	3	3	3	3	3	3	3
Public works										
Streets:										
Streets (miles)	406	423	411	411	414	414	416	418	420	423
Sidewalks (miles)	596	606	606	606	473	473	478	480	483	487
Streetlights	12,693	12,716	12,752	12,772	12,972	12,994	13,238	13,275	13,321	13,321
Water:										
Main pipes (miles) (1)	654	655	659	614	592	592	592	582	582	584
Fire hydrants (2)	5,277	5,095	5,490	5,481	5,940	5,940	5,951	5,658	5,675	5,680
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)	380	381	381	387	389	390	392	392	393	396
Combined sewers (miles)	61	61	65	65	66	65	65	65	61	61
Surface sewers (miles)	351	353	353	358	361	362	364	364	368	370
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
Culture and recreation										
Parks	52	52	52	53	54	54	56	60	60	60
Parks and playground acreage	1,280	1,280	1,285	1,316	1,316	1,316	1,316	1,316	1,316	1,316
Civic Center										
Seating capacities										
Center stage	15,011	15,011	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639
End stage	14,500	14,500	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,800	13,800	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,405	12,405	12,239	12,239	12,239	12,239	12,239	12,800	12,800	12,800
Hockey with closed curtain								6,880	6,880	6,880
Arena football								12,330	12,330	12,330
Ice show	13,033	13,033	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.