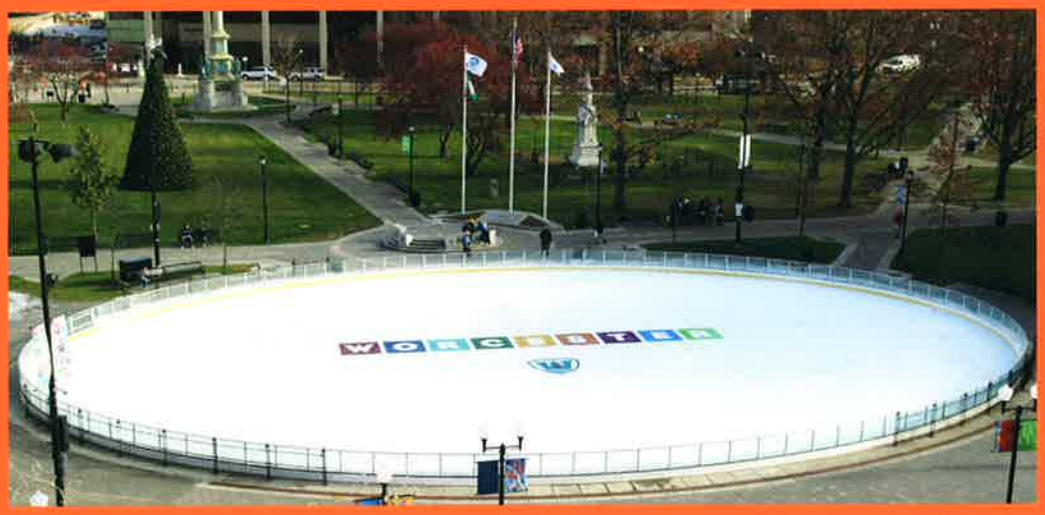
CITY OF WORCESTER

MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

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, 2012

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INTRODUCTORY SECTION

CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeISIGNORE, CPA

CITY AUDITOR

October 31, 2012

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, 2012 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, 2012 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, 2012. 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 181,045, according to the 2010 federal census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City. Additionally, the City is allotted a portion of the hotel, meals and sales taxes collected within its jurisdiction by the state.

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

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

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

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 92 through 99 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 nearly finished constructing a $405 million 500,000 square foot science and research facility on its campus. Worcester Polytechnic Institute recently finished constructing a $53 million recreation center on its campus and is now constructing housing for 300 graduate students and a 500 space parking garage that will have athletic fields on its roof. Also, the College of the Holy Cross is constructing a $20 million residence hall and Worcester State University is about to construct a new residence hall and a new gymnasium.

Construction has recently been completed on a new $302 million Worcester State Hospital.

Factors Affecting Financial Condition

CSX is constructing their New England distribution headquarters in Worcester at a cost of $140 million with completion targeted for the end of calendar year 2012. This will not only boost the local economy with additional jobs but it will help clear the way for additional commuter trains between Worcester and Boston adding up 8 additional to the existing 12 daily round trips.

Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) in July 2010 and the new owners have demonstrated a willingness to make improvements necessary, such as a top tier landing system to attract commercial airlines with Jet Blue expressing more than a passing interest in providing that service in the future.

Finally, construction has continued on the CitySquare project. About half of the 20 acre site was purchased by a new developer and the first phase of demolition has been completed. The other half of the site, which houses two office buildings a garage and some retail space, is to be retained and renovated by the current owner. Currently nearing completion is a 7-story 214,000 square foot $110 million office building to house the Unum Group. Also under construction is a 3-story 66,000 square foot $23 million cancer center to be owned and operated by Vanguard Health Services. Discussions are continuing with several other potential developers to fill out the site with diverse projects to include retail, housing and perhaps a hotel. The new developer's total investment in the project is estimated to be about $470 million over a period of 6 to 8 years. The City is to contribute about $61 million, the state $25 million and the federal government $3.5 million mainly for the cost of demolition, infrastructure and an underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs. It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

Also having a major impact on the downtown area has been the steady expansion of the Massachusetts College of Pharmacy. There are currently 1,200 students living and attending classes in the City's downtown with plans to double in size during the next 5 to 8 years. The college and commuter rail have helped galvanize apartment construction in the downtown area with approximately 400 units being added recently and with expansion of commuter rail and the college there portends to be a need for several additional units. Quinsigamond Community College is also in the process of seeking space for a satellite campus in the downtown.

In November of 2006 the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund construction of a new North High School along with various other projects. Funding has come from approximately $30 million in retroactive school construction aid to the City from the state that is being paid over a 10-year period. Also, proceeds from meals, hotel and sales taxes collected in the DCU Center enterprise zone are added to this fund. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation. Additionally, as part of this plan starting in fiscal 2013 the City will contribute 30-percent annually to pre-fund the liability for Other Post Employment Benefits (OPEB). The City also plans to provide $5 million towards OPEB funding in the fiscal 2014 budget with that amount increasing by 7.5 percent annually thereafter.

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. Total assessed property value decreased in each of the next three years but increased to $11.278 billion in fiscal 2012, .421 billion or 3.9% more than the previous year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2011. 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 nineteen 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,

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2012

Council – Manager Form of Government

CITY COUNCIL

Joseph M. Petty, Mayor

Councilors-at-Large	**District Councilors**
Michael J. Germain	Anthony J. Economou
Konstantina B. Lukes	William J. Eddy
Joseph C. O'Brien	Philip P. Palmieri
Frederick C. Rushton	Sarai Rivera
Kathleen M. Toomey	George J. Russell

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

James A. DelSignore, CPA, City Auditor

Michael T. Hennessy	Chief Accountant
Kim Laino	Systems Accountant
Deborah Monahan	Administrative Assistant

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

ASSESSOR

William J. Ford

TREASURER & COLLECTOR

Mariann Castelli Hier

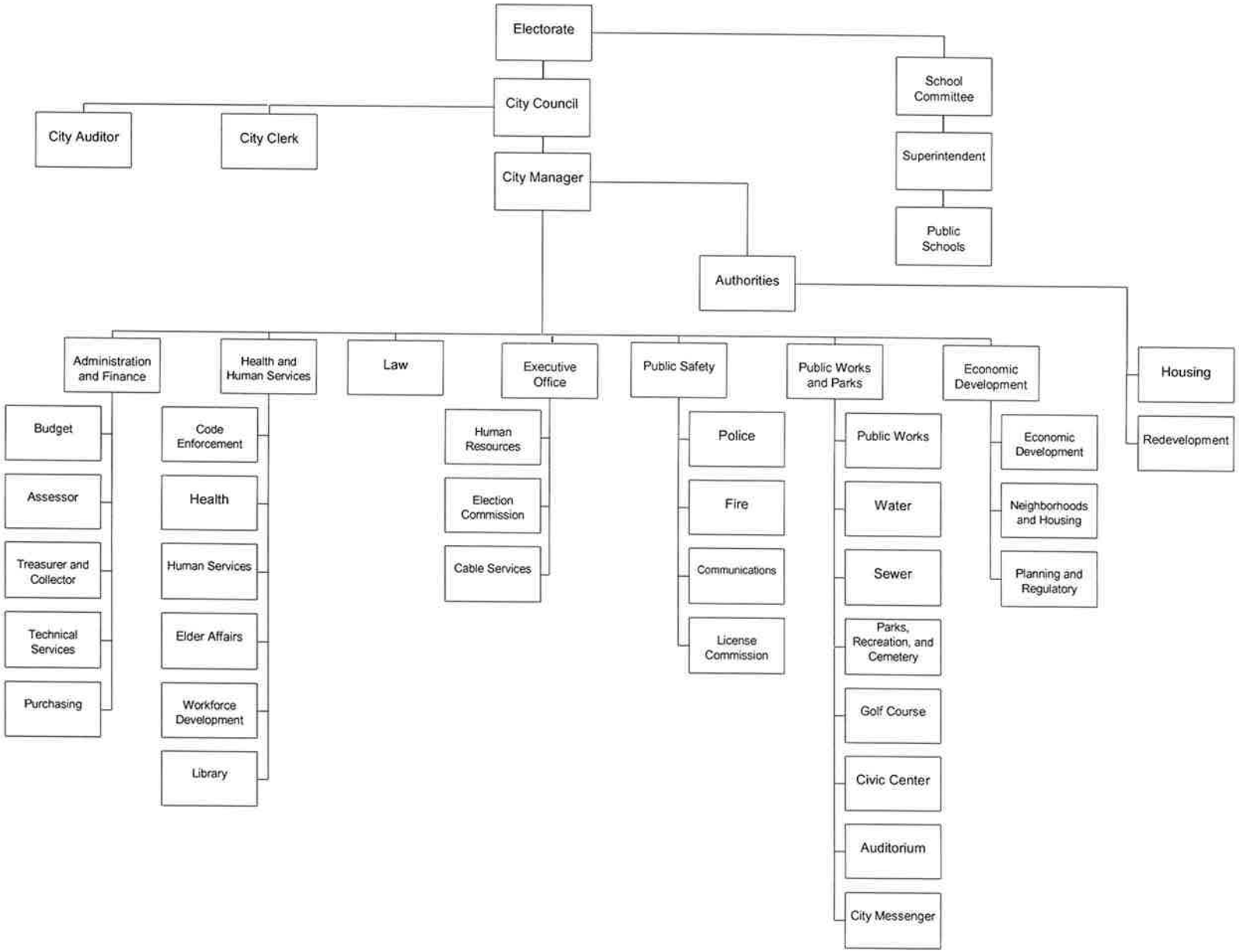
PURCHASING AGENT

John C. Orrell

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT



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, 2011

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

SULLIVAN ROGERS COMPANY
Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC
Corporate Place I, Suite 204 • 99 South Bedford Street
Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2012 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012 (except for the Worcester Contributory Retirement System, which is as of December 31, 2011) 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, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 11 through 23) and budgetary comparison and certain pension and other postemployment benefits information (located on pages 92 through 102) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, supplementary statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Bullin, Ray & Company, LLC

October 31, 2012

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

(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, 2012 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 2012 by $194,999.
- The City's total net assets increased by $5,178 or 2.7% during the year.
- At the end of fiscal 2012, unassigned fund balance for the general fund was $25,520 or 4.4% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2012 was $4,285. This amount is unassigned in the general fund and available for appropriation in fiscal 2013.
- The City's total capital assets (net) increased by $45,837 or 5.9% during fiscal 2012.
- The City's total debt decreased by $7,444 or 1.3% during fiscal 2012.

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 2012. 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.
- Component units – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The fiduciary funds financial statements can be found on pages 35 through 36.

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

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

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

Other required supplementary information can be found on pages 92 through 102.

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 $194,999 at the close of the most recent fiscal year and are summarized as follows:

	Net assets					
	Governmental Activites		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 287,920	297,921	38,374	31,243	326,294	329,164
Capital assets	598,061	560,024	221,264	213,463	819,325	773,487
Total assets	885,981	857,945	259,638	244,706	1,145,619	1,102,651
Long-term liabilities	666,737	653,158	132,199	132,064	798,936	785,222
Other liabilities	122,877	112,619	28,807	14,989	151,684	127,608
Total liabilities	789,614	765,777	161,006	147,053	950,620	912,830
Net assets:						
Invested in capital assets, net of related debt	288,776	280,669	87,856	87,708	376,632	368,377
Restricted	40,376	42,290	-	1,602	40,376	43,892
Unrestricted	(232,785)	(230,791)	10,776	8,343	(222,009)	(222,448)
Total net assets	$ 96,367	92,168	98,632	97,653	194,999	189,821

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 ($222,009). However, this balance includes outstanding pension obligation bonds of $158,045 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 $13,678 and $1,784, respectively, at year's end. Additionally, the City has a note payable of $4,396 for improvement to neighborhood assets it does not own and also owes $953 for the Blackstone Valley Visitors Center, which was destroyed by fire. There was also $17,921 of unspent capital debt at the end of the year. Added to that list this year is $2,003 of airport debt, which is no longer owned by the City. Absent the fore mentioned debt, there is a balance of ($23,230) of unrestricted net assets.

At the end of fiscal 2012, the City is able to report positive balances in all three categories of net assets for business-type activities and all but unrestricted net assets in the governmental activities.

Business-type activities had an increase in other liabilities of $13,818 or 92.2% as temporary loans increased from $10,240 to $24,183. Other liabilities also increased for governmental activities by $10,258 or 9.1% as temporary loans increased from $30,843 to $48,130. Governmental activities capital assets increased by $38,037 or 6.8% as many City buildings have been renovated to produce energy savings at a cost of $13,038 during the year and public works infrastructure and related construction-in-progress increased by $25,257 over the prior year. The majority of funding for these projects is from debt financing.

The City's total net assets increased by $5,178, or 2.7%, summarized as follows:

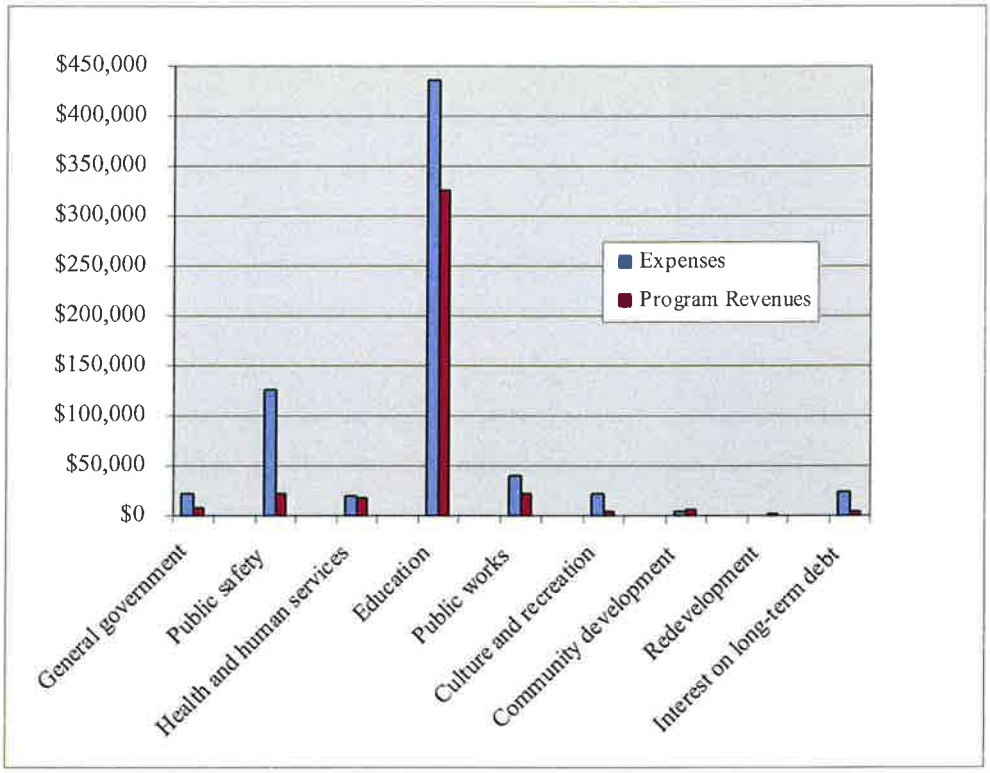
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 36,675	34,499	62,572	58,453	99,247	92,952
Operating grants and contributions	363,538	368,157	-	1,282	363,538	369,439
Capital grants and contributions	10,691	32,916	2,691	641	13,382	33,557
General revenues:						
Property taxes	225,460	215,511	-	-	225,460	215,511
Motor vehicle excise taxes	11,866	11,519	-	-	11,866	11,519
Intergovernmental	36,298	36,220	-	-	36,298	36,220
Other	9,886	12,809	-	-	9,886	12,809
Total revenues	694,414	711,631	65,263	60,376	759,677	772,007
Expenses:						
General government	21,552	21,026	-	-	21,552	21,026
Public safety	126,488	123,114	-	-	126,488	123,114
Health and human services	20,597	25,033	-	-	20,597	25,033
Education	435,526	432,824	-	-	435,526	432,824
Public works	39,584	37,435	-	-	39,584	37,435
Culture and recreation	21,535	17,528	-	-	21,535	17,528
Community development	4,399	7,926	-	-	4,399	7,926
Interest on long-term debt	23,968	22,573	-	-	23,968	22,573
Water	-	-	24,388	24,911	24,388	24,911
Sewer	-	-	35,284	33,737	35,284	33,737
Airport	-	-	-	1,417	-	1,417
Golf course	-	-	1,246	1,238	1,246	1,238
Total expenses	693,649	687,459	60,918	61,303	754,567	748,762
Change in net assets before transfers, contributions, loss on airport disposal and extraordinary item	765	24,172	4,345	(927)	5,110	23,245
Transfers	3,366	13,250	(3,366)	(13,250)	-	-
Contributions	68	48	-	-	68	48
Loss on airport disposal	-	-	-	(20,193)	-	(20,193)
Extraordianry item - transfer of airport debt to governmental activities	-	(3,055)	-	3,055	-	-
Change in net assets	4,199	34,415	979	(31,315)	5,178	3,100
Net assets – beginning	92,168	57,753	97,653	128,968	189,821	186,721
Net assets – ending	$ 96,367	92,168	98,632	97,653	194,999	189,821

Governmental activities – Governmental activities increased the City's net assets by $4,199. The key elements of this increase are as follows:

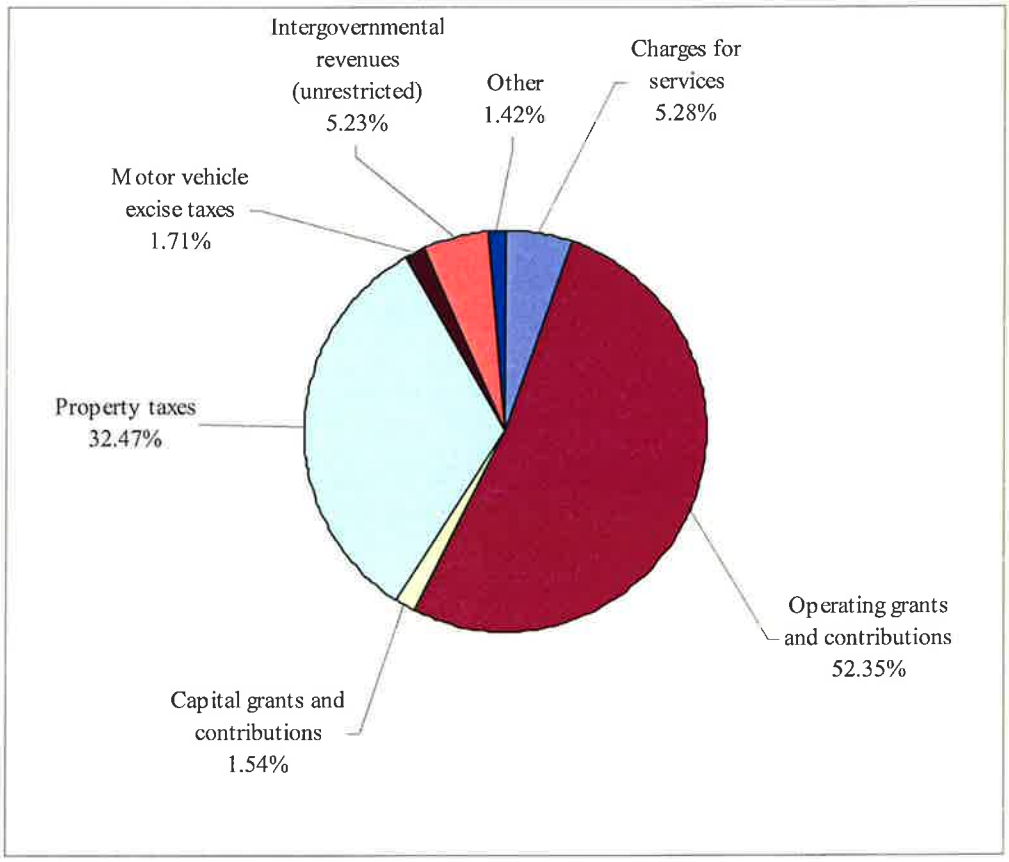
Total revenues were $694,414, which was a $17,217 or 2.4% decrease from the previous fiscal year. General revenues increased by $7,451 or 2.7% as property tax revenue increased by $9,949 or 4.6%, primarily because of an increase in property taxes committed for collection and other revenue fell by $2,923 or 22.8% as investment income decreased by $2,578. Capital grants and contributions decreased by $22,225 or 67.5% as educational grants decreased from $21,869 to zero as funding for North High construction was completed.

Total expenses were $693,649, which was a $6,190 or 0.9% increase from the previous fiscal year. While there were modest increases in most functions due to increased personnel costs, health and human service expenses decreased by $4,436 or 17.7% because grants to sundry City departments were decreased from the prior year and community development expenses decreased by $3,527 or 44.5% as grants decreased.

FY 2012 Expenses and Program Revenues– Governmental Activities



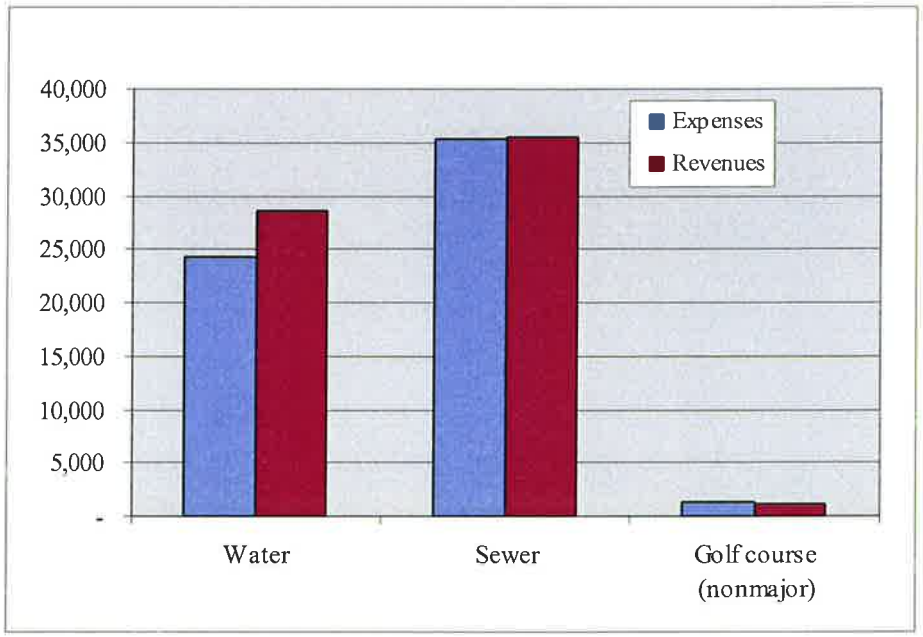
FY 2012 Revenues by Source – Governmental Activities



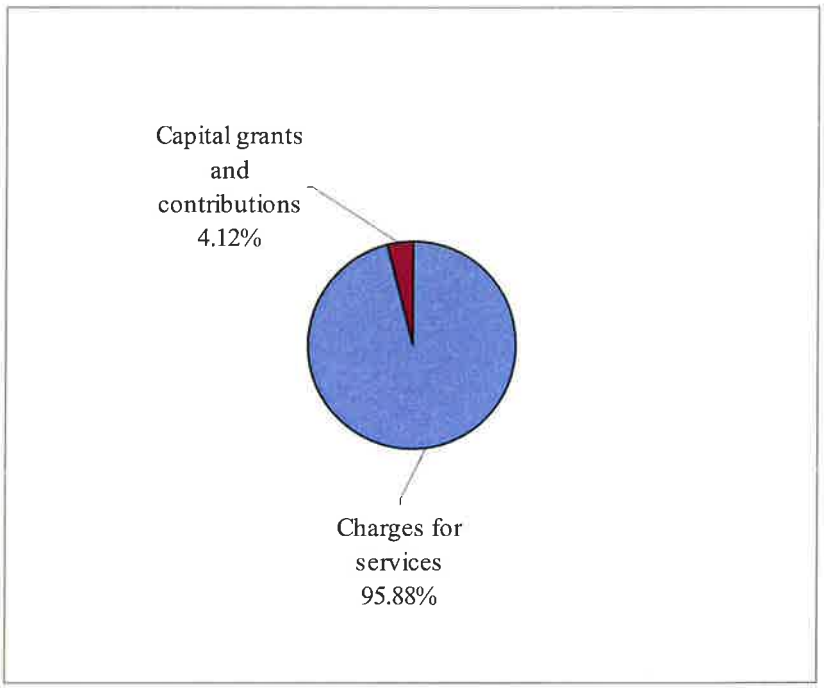
Business-type activities – Business-type activities increased the City's net assets by $979. Factors contributing to these results are as follows:

- The water fund had operating income of $5,511 and had an increase in net assets of $2,584. This follows the previous year's $499 increase in net assets with an operating income of $4,254.
- The sewer fund had an operating income of $1,579 compared with a loss of $119 in the previous year. Net assets decreased by $405, which follows the previous year's $2,879 decrease.
- The airport fund transferred its remaining $1,322 in net assets to the general and special revenue funds as it was sold to the Massachusetts Port Authority (Massport).
- The golf course fund (nonmajor) had an operating loss of $47. Net assets increased by $121.

FY 2012 Expenses and Program Revenues – Business-type Activities



FY 2012 Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

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

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

At the end of fiscal 2012, the City's governmental funds reported combined ending fund balances of $66,103 a decrease of $15,382 or 18.9% from fiscal 2011. Fund balance includes $13,918 of non-spendable amounts contained in nonexpendable permanent funds and $25,520 of unassigned general fund balance available for spending at the City's discretion. The nonmajor capital projects funds deficit of $34,804 will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds and the $882 DCU Center deficit in the special revenue fund will be funded by charges for services. The remaining fund balance has $33,293 restricted for specific purposes or by federal or state grants, $12,034 of funds committed for debt service and $17,023 of funds committed in reserve for appropriation accounts by state law or City preference.

The general fund is the chief operating fund of the City. At the end of fiscal 2012 unassigned fund balance of the general fund was $25,520 or 4.4% of total general fund revenues. During fiscal 2012 the City's general fund balance increased by $8,136 or 43.2%. Total revenues exceeded expenditures by $19,142, while transfers out exceeded transfers in by $11,485. The general fund also received a premium on the issuance of bonds of $479.

CitySquare had a fund balance of $3,108 at the end of fiscal 2012, a $4,697 or 60.2% decrease from the previous year. During the year $6,845 of bonds were issued and $3,657 of intergovernmental revenue was received while there was also interest income of $43. Project expenditures totaled $15,192.

The debt service fund had a fund balance of $12,034 at the end of fiscal 2012, a $2,160 or 21.8% increase from the previous year. During the year $1,575 in tax revenue was received and there were $13,903 net transfers in from the general fund. Debt service expenditures were $13,318.

School grants had a fund balance of $7,878 at the end of fiscal 2012, a $932 or 10.6% decrease from the previous year. Intergovernmental revenue of $47,616 was received during the year, a $13,217 or 21.7% decrease from the prior year as well as $348 in donations. Total expenditures were $49,374 an $8,778 or 15.1% decrease from the prior year.

Other governmental funds had a fund balance of $16,118 at the end of fiscal 2012, a $20,050 or 55.4% decrease from the previous year. The capital projects funds fund balance decreased by $25,378 as expenditures of $53,964 exceeded revenues of $5,479, net transfers in of $183 and issuance of bonds of $23,023. Special revenue funds increased by $5,613 as expenditures of $58,104 were exceeded by revenues of $63,275 and net transfers in of $442. Permanent funds decreased by $284 as investment losses of ($179), donations of $69 and transfers in of $1 were exceeded by expenditures of $175.

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

Net assets of the enterprise funds at the end of fiscal 2012 totaled $98,632. This was a $979 increase from the previous year. The water fund had an increase of $2,584 while the sewer fund had a decrease of ($405), the golf course fund (nonmajor) had an increase of $122 and the airport had a decrease of ($1,322) as the fund was closed out with the sale to Massport. Unrestricted net assets consisted of $1,578 in the water fund, $9,329 in the sewer and ($131) 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 $2,152 higher than the original amount. The estimate for property taxes was increased by $910 as additional assessments were added. Also, the estimate for state aid was increased by $2,142 as more funding was provided in a supplemental state budget. The estimate for school related Federal Medicare was reduced by $900 to match the prior year actual.

The final budget and actual for transfers-in increased from the original budget by $2,707. Some of the proceeds from the sale of the airport were placed in reserve accounts classified as special revenue on a budgetary basis. However, due to GASB 54 these proceeds ($3,150) have been reclassified to the general fund on a GAAP basis (refer to page 102). Additionally another $430 was transferred into the general fund from the remaining airport fund balance as well as $801 from the Water Fund as repayment from prior year subsidies during the year. There were also the normal unbudgeted transfers in from the special revenue fund during the year. The original budget also contained a $1,485 transfer in from an emergency stabilization reserve (reclassified to the general fund on a GAAP basis) that was not needed.

The final general fund expenditure budget was $1,520 higher than the original. There were several areas of change during the year. The largest was a reduction in the health insurance budget of $3,925 that alleviated the need for the above mentioned transfer from the emergency stabilization reserve and was also transferred into other accounts to eliminate deficits in other general fund budgeted accounts and to other funds as well. There was also a $694 reduction in the DCU budget, which was transferred to related DCU accounts in the special revenue fund. The police budget increased by $1,918 from the original with $1,618 going to fund overtime, $100 to ordinary maintenance and $200 to capital. The public works budget increased by $769 as an additional $350 went to street lighting and $390 to snow removal. The manager's budget increased by $763 with $307 being added to the salary account and $455 added to ordinary maintenance. The technical services budget was increased by $396 with $350 of it going to capital. Finally, the parks ordinary maintenance budget was increased by $333 during the year.

The final budget and actual for transfers-out increased from the original budget by $1,564, which consisted primarily of the above mentioned transfers from the DCU account and the health insurance account.

The general fund balance had a budgetary basis increase of $12,785 during the year, which was on top of a $3,711 increase in the prior year and the $5,240 the year before and ended the year with a balance of $27,044. This increase can be traced to the above mentioned increase from the originally budgeted transfers-in as well as positive expenditure and revenue budget budgetary variances. There was $2,214 in positive expenditure budget variances that were fairly evenly spread with no one category standing out. There was $7,846 in positive revenue variances inclusive of premium on loans with a $2,799 positive variance in property tax collections primarily because of effective collection of tax title revenues. Motor vehicle excise collections were $949 above the budget as this category was conservatively estimated. Inspectional services continued to collect revenue in excess of the budget with an $884 surplus in fiscal 2012. The estimate for school related Federal Medicare was reduced to match the prior year actual however revenue came in at $826 above the new estimate, which was fairly close to the original estimate. Lastly, miscellaneous revenue was $664 above the budget as prior year reversions were higher than expected. The only large negative variance was in investment earnings, which was $200 below the budget.

Capital Assets and Debt Administration

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounted to $819,325. 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 $45,837 or 5.9%. Governmental activities increased by $38,037 or 6.8% and business-type activities increased by $7,800 or 3.7%.

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

- Streets and sidewalks were improved with costs amounting to $11,986.
- The CitySquare project had expenditures of $15,192 as the first phase of demolition of existing structures was completed. Construction is nearly complete on an office tower and a second building is set to be completed in 2013. Total project expenditures to date have been $47,867.
- The North High School construction project, which has been a multi-year project was completed during the year with expenditures of $6,599 totaling $63,124 to date.
- Expenditures for parks improvement projects totaled $4,904 during the year.
- Expenditures during the year for rehabilitation of public buildings were $19,436 with the majority of it going towards energy improvements.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing $17,739. Of this amount, $10,547 was for sewer projects, $7,125 for water projects, and $67 was spent on golf course improvements. Additionally, business-type entities received $1,838 in capital donations from owners of subdivisions.

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

	Capital assets (net of accumulated depreciation)					
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 20,489	20,316	6,161	5,161	26,650	25,477
Buildings	360,191	310,223	26,914	26,650	387,105	336,873
Improvements, other than buildings	27,079	26,959	-	-	27,079	26,959
Equipment and other	2,497	2,098	584	419	3,081	2,517
Rolling equipment	5,841	5,552	4,239	2,979	10,080	8,531
Infrastructure	105,595	95,357	176,280	173,469	281,875	268,826
Construction in progress	76,369	99,519	7,086	4,786	83,455	104,305
Total	$ 598,061	560,024	221,264	213,464	819,325	773,488

Additional information on the City's capital assets can be found in note 8 on pages 70 through 73 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 $585,429, a decrease of $7,444 or 1.3% from the prior fiscal year. With the exception of the notes payable, the full faith and credit of the City back this entire amount.

	Long-term debt					
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	$ 455,539	462,302	123,801	125,292	579,340	587,594
Notes payable	4,396	4,505	1,693	774	6,089	5,279
Total	$ 459,935	466,807	125,494	126,066	585,429	592,873

On July 12, 2011, the City issued $16,755 of general obligation refunding bonds. On November 1, 2011 the City issued $33,263 of general obligation bonds. The proceeds consisted of $23,023 for governmental activities and $10,240 for business-type activities. Additionally, on June 1, 2012 the City issued $6,845 of general obligation bonds.

In relation to the above debt the City maintained credit ratings of A1 from Moody's Investors Service, A- from Standard and Poors and AA- from Fitch Ratings.

Also during the year the City received a $965 note payable to the Massachusetts Water Pollution Abatement Trust.

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

Additional information on the City's long-term debt can be found in note 11 beginning on page 75 of this report.

Economic Factors and Next Year's Budget and Rates

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 8.4% at June 30, 2012, compared with a 10.0% rate that existed a year earlier. This compares with June 30, 2012 unemployment rates of 6.3% in Massachusetts and 8.4% nationally.

A recent study by Colliers International reported that as of June 30, 2012, a sample of 1.81 million square feet of office space in Worcester was 82.6% occupied, with 26.1 thousand square feet becoming vacant during the first half of calendar year 2012.

Property values increased from $10,857,000 in fiscal 2011 to $11,278,000, or 3.9%, in fiscal 2012.

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

Exhibit 1

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2012

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	$ 120,728,208	7,693,232	128,421,440	117,424	7,254,514
Restricted cash and cash equivalents	59,429,989	16,268,728	75,698,717	19,069	-
Restricted investments	13,191,755	-	13,191,755	-	3,620,998
Receivables (net):					
Property taxes	5,551,310	-	5,551,310	-	-
Tax and utility liens	3,141,292	2,048,230	5,189,522	-	-
Motor vehicle excise taxes	2,228,465	-	2,228,465	-	-
Charges for services	-	11,955,472	11,955,472	-	511,660
Special assessments	2,592,016	408,456	3,000,472	-	-
Departmental	1,797,356	-	1,797,356	-	-
Intergovernmental	77,013,231	-	77,013,231	74,374	7,612,781
Other	2,246,082	-	2,246,082	2,905	1,091,242
Capital assets, not being depreciated	96,858,205	13,246,302	110,104,507	1,361,259	34,011,031
Capital assets, net of accumulated depreciation	501,202,663	208,018,067	709,220,730	29,386,312	158,139,198
Total assets	885,980,572	259,638,487	1,145,619,059	30,961,343	212,241,424
Liabilities:					
Accounts payable	47,327,017	2,378,975	49,705,992	102,803	3,427,746
Accrued liabilities	15,223,651	1,628,343	16,851,994	1,115,881	2,132,107
Retainage payable	2,406,523	617,411	3,023,934	-	-
Other liabilities	9,788,845	-	9,788,845	30,829	421,752
Temporary notes payable	48,130,000	24,183,000	72,313,000	-	-
Noncurrent liabilities:					
Due within one year	48,332,559	12,776,418	61,108,977	6,050,783	6,188,554
Due in more than one year	618,404,841	119,422,123	737,826,964	1,173,661	176,128,527
Total liabilities	789,613,436	161,006,270	950,619,706	8,473,957	188,298,686
Net assets:					
Invested in capital assets, net of related debt	288,775,803	87,855,974	376,631,777	27,195,153	19,368,234
Restricted for:					
Nonexpendable permanent funds	13,918,497	-	13,918,497	-	-
Expendable permanent funds	111,816	-	111,816	-	-
State and federal grants	17,931,559	-	17,931,559	-	-
Other specific purposes	8,414,311	-	8,414,311	-	-
Unrestricted (deficit)	(232,784,850)	10,776,243	(222,008,607)	(4,707,767)	4,574,504
Total net assets	$ 96,367,136	98,632,217	194,999,353	22,487,386	23,942,738

See accompanying notes to basic financial statements.

Exhibit 2

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2012

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense)/ revenue
Primary government:					
Governmental activities:					
General government	$ 21,552,134	3,922,798	3,280,997	-	(14,348,339)
Public safety	126,487,686	15,932,940	5,386,646	595,516	(104,572,584)
Health and human services	20,596,850	1,059,258	17,926,115	-	(1,611,477)
Education	435,525,878	2,640,978	322,686,691	-	(110,198,209)
Public works	39,583,665	11,916,826	1,155,300	9,788,602	(16,722,937)
Culture and recreation	21,535,498	1,202,286	1,529,883	307,048	(18,496,281)
Community development	4,399,148	-	5,610,831	-	1,211,683
Redevelopment	-	-	1,446,000	-	1,446,000
Interest on debt	23,967,697	-	4,515,702	-	(19,451,995)
Total governmental activities	693,648,556	36,675,086	363,538,165	10,691,166	(282,744,139)
Business-type activities:					
Water	24,387,855	27,002,295	-	1,614,071	4,228,511
Sewer	35,284,072	34,442,973	-	1,077,629	236,530
Golf course (nonmajor)	1,246,490	1,126,816	-	-	(119,674)
Total business-type activities	60,918,417	62,572,084	-	2,691,700	4,345,367
Total primary government	$ 754,566,973	99,247,170	363,538,165	13,382,866	(278,398,772)
Component units:					
Worcester Redevelopment Authority	$ 2,073,285	503,148	-	-	(1,570,137)
Upper Blackstone Water Pollution Abatement District	24,409,224	19,866,727	-	1,797,598	(2,744,899)
Total component units	$ 26,482,509	20,369,875	-	1,797,598	(4,315,036)

(Continued)

See accompanying notes to basic financial statements.

Exhibit 2

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Changes in net assets:					
Net (expense) revenue (from previous page)	$ (282,744,139)	4,345,367	(278,398,772)	(1,570,137)	(2,744,899)
General revenues:					
Property taxes	225,459,980	-	225,459,980	-	-
Motor vehicle excise taxes	11,866,301	-	11,866,301	-	-
Other taxes and in-lieu payments	5,689,280	-	5,689,280	-	-
Penalties and interest on taxes	2,871,626	-	2,871,626	-	-
Intergovernmental revenues (unrestricted)	36,297,970	-	36,297,970	-	-
Investment earnings (loss)	(35,221)	-	(35,221)	614	181,830
Miscellaneous	1,358,686	-	1,358,686	-	-
Transfers (net)	3,366,314	(3,366,314)	-	-	-
Total general revenues and transfers (net)	286,874,936	(3,366,314)	283,508,622	614	181,830
Contributions to permanent funds	68,491	-	68,491	-	-
Sub-total	286,943,427	(3,366,314)	283,577,113	614	181,830
Change in net assets	4,199,288	979,053	5,178,341	(1,569,523)	(2,563,069)
Net assets - beginning	92,167,848	97,653,164	189,821,012	24,056,909	26,505,807
Net assets - ending	$ 96,367,136	98,632,217	194,999,353	22,487,386	23,942,738

(Concluded)

See accompanying notes to basic financial statements.

Exhibit 3

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2012

Assets:	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total governmental funds
Cash and cash equivalents	$ 65,291,966	-	12,034,071	-	17,023,412	94,349,449
Restricted cash and cash equivalents	1,443,802	5,489,553	-	8,287,209	44,209,425	59,429,989
Restricted investments	-	-	-	-	13,191,755	13,191,755
Receivables (net of allowance for uncollectibles of $10,317,162)	15,310,439	-	-	-	1,402,660	16,713,099
Due from other governments	75,508,174	-	-	193,076	1,311,981	77,013,231
Total assets	$ 157,554,381	5,489,553	12,034,071	8,480,285	77,139,233	260,697,523
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$ 34,969,759	2,058,774	-	601,941	8,387,030	46,017,504
Retainage payable	-	142,354	-	-	2,264,169	2,406,523
Temporary loans	-	180,000	-	-	47,950,000	48,130,000
Deferred revenue	86,849,192	-	-	-	1,402,660	88,251,852
Other liabilities	8,771,495	-	-	-	1,017,350	9,788,845
Total liabilities	130,590,446	2,381,128	-	601,941	61,021,209	194,594,724
Fund balances:						
Nonspendable	-	-	-	-	13,918,497	13,918,497
Restricted	1,443,802	3,108,425	-	7,878,344	20,862,449	33,293,020
Committed	-	-	12,034,071	-	17,023,412	29,057,483
Unassigned	25,520,133	-	-	-	(35,686,334)	(10,166,201)
Total fund balances	26,963,935	3,108,425	12,034,071	7,878,344	16,118,024	66,102,799
Total liabilities and fund balances	$ 157,554,381	5,489,553	12,034,071	8,480,285	77,139,233	260,697,523

See accompanying notes to basic financial statements.

Exhibit 4

CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet

Total Fund Balances to the Statement of Net Assets

June 30, 2012

Total governmental fund balances (Exhibit 3)	$ 66,102,799
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	598,060,868
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	88,251,852
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.	19,489,132
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(8,800,115)
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	(463,242,377)
OPEB	(174,376,791)
Judgments and claims	(11,097,940)
Compensated absences	(13,191,319)
Landfill closure costs	(4,828,973)
Net assets of governmental activities (Exhibit 1)	$ 96,367,136

See accompanying notes to basic financial statements.

Exhibit 5

CITY OF WORCESTER, MASSACHUSETTS

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

For the Fiscal Year ended June 30, 2012

	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total governmental funds
Revenues:						
Property taxes	$ 225,500,752	-	-	-	-	225,500,752
Motor vehicle excise taxes	11,887,574	-	-	-	-	11,887,574
Other taxes and in-lieu payments	4,439,610	-	1,575,630	-	-	6,015,240
Penalties and interest on taxes	2,871,626	-	-	-	-	2,871,626
Licenses and permits	5,210,469	-	-	-	-	5,210,469
Intergovernmental	321,719,434	3,657,455	-	47,615,959	44,844,666	417,837,514
Charges for services	5,813,754	-	-	-	19,174,073	24,987,827
Fines and forfeitures	2,845,336	-	-	-	-	2,845,336
Investment earnings (losses)	99,947	42,588	-	-	(177,756)	(35,221)
Donations	-	-	-	347,591	4,329,656	4,677,247
Contributions to permanent funds	-	-	-	-	68,491	68,491
Miscellaneous	1,318,000	-	-	-	405,121	1,723,121
Total revenues	581,706,502	3,700,043	1,575,630	47,963,550	68,644,251	703,589,976
Expenditures:						
Current:						
General government	14,598,537	-	-	-	14,051,163	28,649,700
Public safety	77,811,750	-	-	-	16,194,692	94,006,442
Health and human services	763,990	-	-	-	17,024,110	17,788,100
Education	222,922,770	-	-	49,373,870	26,837,735	299,134,375
Public works	18,030,195	15,192,121	-	-	21,849,773	55,072,089
Culture and recreation	8,123,080	-	-	-	8,634,845	16,757,925
Fringe benefits	143,721,814	-	-	-	-	143,721,814
Community development	-	-	-	-	4,399,148	4,399,148
State and regional charges	29,525,605	-	-	-	-	29,525,605
Debt service:						
Principal	26,643,384	-	8,317,465	-	1,786,426	36,747,275
Interest	20,423,527	-	5,000,651	-	1,465,411	26,889,589
Total expenditures	562,564,652	15,192,121	13,318,116	49,373,870	112,243,303	752,692,062
Excess (deficiency) of revenues over expenditures	19,141,850	(11,492,078)	(11,742,486)	(1,410,320)	(43,599,052)	(49,102,086)
Other financing sources (uses):						
Transfers in	3,926,678	(49,357)	14,118,623	518,093	8,791,076	27,305,113
Transfers out	(15,411,358)	-	(216,000)	(39,435)	(8,165,280)	(23,832,073)
Premium on issuance of bonds	478,707	-	-	-	-	478,707
Issuance of bonds	-	6,845,000	-	-	23,022,565	29,867,565
Issuance of refunding bonds	-	-	-	-	7,422,000	7,422,000
Refunded bonds redeemed	-	-	-	-	(7,521,000)	(7,521,000)
Total other financing sources (uses)	(11,005,973)	6,795,643	13,902,623	478,658	23,549,361	33,720,312
Net change in fund balances	8,135,877	(4,696,435)	2,160,137	(931,662)	(20,049,691)	(15,381,774)
Fund balances – beginning	18,828,058	7,804,860	9,873,934	8,810,006	36,167,715	81,484,573
Fund balances – ending	$ 26,963,935	3,108,425	12,034,071	7,878,344	16,118,024	66,102,799

See accompanying notes to basic financial statements.

Exhibit 6

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, 2012

Net change in fund balances - total governmental funds (Exhibit 5)	$ (15,381,774)
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	64,197,789
Capital donations	1,554,934
Depreciation	(27,715,679)
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.	(10,315,047)
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 bonds	(29,867,565)
Transfer of golf course (nonmajor) debt	(106,727)
Bond maturities	36,747,275
Amortization of bond premiums	78,592
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	2,016,261
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.	3,521,017
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	(18,348,553)
Judgments and claims	20,994
Compensated absences	(246,887)
Landfill closure and postclosure care	(1,955,342)
Change in net assets of governmental activities (Exhibit 2)	$ 4,199,288

See accompanying notes to basic financial statements.

Exhibit 7

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-type activities					Governmental activities
	Major			Nonmajor		Internal Service Fund
	Water	Sewer	Airport	Golf Course	Totals	
Assets:						
Current assets:						
Cash and cash equivalents	$ 3,891,132	3,754,609	-	47,491	7,693,232	26,378,759
Restricted cash and cash equivalents	6,094,178	10,107,544	-	67,006	16,268,728	-
Receivables (net)	4,641,649	9,770,509	-	-	14,412,158	843,422
Total current assets	14,626,959	23,632,662	-	114,497	38,374,118	27,222,181
Noncurrent assets:						
Capital assets:						
Land	6,044,000	116,500	-	-	6,160,500	-
Buildings	41,068,277	4,302,315	-	965,493	46,336,085	-
Infrastructure	144,892,141	165,257,047	-	1,709,730	311,858,918	-
Construction in progress	913,152	6,170,605	-	2,045	7,085,802	-
Equipment and other	402,918	515,744	-	-	918,662	-
Rolling equipment	2,483,494	5,767,035	-	-	8,250,529	-
Less accumulated depreciation	(77,745,261)	(80,724,887)	-	(875,979)	(159,346,127)	-
Capital assets, net	118,058,721	101,404,359	-	1,801,289	221,264,369	-
Total assets	132,685,680	125,037,021	-	1,915,786	259,638,487	27,222,181
Liabilities:						
Current liabilities:						
Accounts payable	1,351,379	980,105	-	47,491	2,378,975	1,309,513
Accrued liabilities	912,949	702,666	-	12,728	1,628,343	6,423,536
Retainage payable	222,910	394,501	-	-	617,411	-
Judgments and claims	171,357	83,008	-	-	254,365	-
Compensated absences	381,354	178,571	-	8,815	568,740	-
Temporary loans	10,023,000	14,135,000	-	25,000	24,183,000	-
Other	2,202	3,360	-		5,562	-
Bonds and notes payable	8,241,721	3,553,030	-	153,000	11,947,751	-
Total current liabilities	21,306,872	20,030,241	-	247,034	41,584,147	7,733,049
Noncurrent liabilities:						
Judgments and claims	1,040,002	129,858	-	-	1,169,860	-
Compensated absences	118,546	38,514	-	4,171	161,231	-
OPEB payable	2,747,794	1,649,052	-	104,812	4,501,658	-
Other	6,661	36,341	-	-	43,002	-
Bonds and notes payable	57,925,600	53,950,772	-	1,670,000	113,546,372	-
Total noncurrent liabilities	61,838,603	55,804,537	-	1,778,983	119,422,123	-
Total liabilities	83,145,475	75,834,778	-	2,026,017	161,006,270	7,733,049
Net assets (deficit):						
Invested in capital assets, net of related debt	47,962,578	39,873,101	-	20,295	87,855,974	-
Unrestricted	1,577,627	9,329,142	-	(130,526)	10,776,243	19,489,132
Total net assets (deficit)	$ 49,540,205	49,202,243	-	(110,231)	98,632,217	19,489,132

See accompanying notes to basic financial statements.

Exhibit 8

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Business-type activities					Governmental activities
	Major			Nonmajor		Internal Service Fund
	Water	Sewer	Airport	Golf Course	Totals	
Operating revenues:						
Charges for services	$ 25,705,950	33,814,175	-	-	59,520,125	-
Employer contributions	-	-	-	-	-	54,046,396
Employee contributions	-	-	-	-	-	24,465,010
Fees	-	-	-	1,126,097	1,126,097	-
Miscellaneous	1,296,345	628,798	-	719	1,925,862	-
Total operating revenues	27,002,295	34,442,973	-	1,126,816	62,572,084	78,511,406
Operating expenses:						
Salaries and benefits	9,388,144	5,429,347	-	288,970	15,106,461	-
Benefit payments	-	-	-	-	-	75,063,245
Ordinary maintenance	4,251,817	18,477,522	-	719,346	23,448,685	-
Indirect costs	1,993,685	3,175,289	-	29,420	5,198,394	-
Depreciation	5,857,847	5,782,027	-	136,500	11,776,374	-
Total operating expenses	21,491,493	32,864,185	-	1,174,236	55,529,914	75,063,245
Operating income (loss)	5,510,802	1,578,788	-	(47,420)	7,042,170	3,448,161
Nonoperating revenues (expenses):						
Intergovernmental	846,732	6,961	-	-	853,693	-
Investment income	-	-	-	-	-	72,856
Interest expense	(2,896,362)	(2,419,887)	-	(72,254)	(5,388,503)	-
Total nonoperating revenues (expenses)	(2,049,630)	(2,412,926)	-	(72,254)	(4,534,810)	72,856
Income (loss) before capital donations and transfers	3,461,172	(834,138)	-	(119,674)	2,507,360	3,521,017
Capital donations	767,339	1,070,668	-	-	1,838,007	-
Transfers in	-	-	-	264,588	264,588	-
Transfers out	(1,644,557)	(641,032)	(1,321,755)	(23,558)	(3,630,902)	-
Change in net assets	2,583,954	(404,502)	(1,321,755)	121,356	979,053	3,521,017
Total net assets – beginning	46,956,251	49,606,745	1,321,755	(231,587)	97,653,164	15,968,115
Total net assets – ending	$ 49,540,205	49,202,243	-	(110,231)	98,632,217	19,489,132

See accompanying notes to basic financial statements.

Exhibit 9

CITY OF WORCESTER, MASSACHUSETTS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type activities					Governmental activities
	Major			Nonmajor		Internal
	Water	Sewer	Airport	Golf Course	Totals	Service Fund
Cash flows from operating activities:						
Receipts from customers	$ 27,465,533	33,811,165	-	1,126,816	62,403,514	78,511,406
Payments for interfund service provided	-	-	-	-	-	(78,375,076)
Payments to suppliers	(6,222,575)	(21,576,115)	(40,692)	(747,127)	(28,586,509)	-
Payments to employees	(9,090,386)	(5,321,483)	(75,860)	(281,694)	(14,769,423)	-
Net cash provided (used) by operating activities	12,152,572	6,913,567	(116,552)	97,995	19,047,582	136,330
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	264,588	264,588	-
Transfers (out)	(1,644,557)	(641,032)	(1,321,755)	(23,558)	(3,630,902)	-
Intergovernmental subsidies	846,732	6,961	307,490	-	1,161,183	-
Net cash provided (used) by noncapital financing activities	(797,825)	(634,071)	(1,014,265)	241,030	(2,205,131)	-
Cash flows from capital and related financing activities:						
Issuance of capital debt	20,322,551	24,213,273	-	105,000	44,640,824	-
Acquisition and construction of capital assets	(7,097,492)	(10,365,344)	-	(74,891)	(17,537,727)	-
Principal paid on capital debt	(18,140,071)	(12,775,234)	-	(353,727)	(31,269,032)	-
Proceeds from sale of airport	-	-	891,603	-	891,603	-
Interest paid on capital debt	(2,951,471)	(2,377,962)	-	(76,728)	(5,406,161)	-
Net cash provided (used) by capital and related financing activities	(7,866,483)	(1,305,267)	891,603	(400,346)	(8,680,493)	-
Cash flows from investing activities:						
Investment income	-	-	-	-	-	72,856
Net increase (decrease) in cash and cash equivalents	3,488,264	4,974,229	(239,214)	(61,321)	8,161,958	209,186
Cash and cash equivalents at beginning of year (includes $3,448,390 and $7,013,400 reported as restricted in the Water and Sewer funds)	6,497,046	8,887,924	239,214	175,818	15,800,002	26,169,573
Cash and cash equivalents at end of year (includes $6,094,178, $10,107,544 and $67,006 reported as restricted in the Water, Sewer and Golf Course [nonmajor] funds)	$ 9,985,310	13,862,153	-	114,497	23,961,960	26,378,759
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ 5,510,802	1,578,788	-	(47,420)	7,042,170	3,448,161
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Changes in assets and liabilities not requiring current expenditure of cash:						
Depreciation expense	5,857,847	5,782,027	-	136,500	11,776,374	-
Increase in OPEB payable	365,544	141,088	-	10,630	517,262	-
Changes in assets and liabilities requiring current expenditure of cash:						
(Increase) decrease in accounts receivable	463,238	(631,808)	-	-	(168,570)	(155,579)
Increase (decrease) in accounts payable	(203,387)	7,026	(116,552)	(1,971)	(314,884)	(2,850,609)
(Increase) in accrued liabilities	-	-	-	-	-	(305,643)
Increase (decrease) in judgments and claims payable	151,580	29,655	-	-	181,235	-
Increase in compensated absences payable	6,948	6,791	-	256	13,995	-
Total adjustments	6,641,770	5,334,779	(116,552)	145,415	12,005,412	(3,311,831)
Net cash provided (used) by operating activities	$ 12,152,572	6,913,567	(116,552)	97,995	19,047,582	136,330
Noncash investing, capital and financing activities:						
Capital donations	$ 767,339	1,070,668	-	-	1,838,007	-

See accompanying notes to basic financial statements.

Exhibit 10

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2012

	Pension Trust Fund (As of December 31, 2011)	Agency Fund
Assets:		
Cash and cash equivalents	$ 1,882,343	391,002
Investments, at fair value:		
Equities	158,761,556	-
Fixed income	100,860,546	-
Pooled equities	147,198,801	-
Pooled fixed income	24,710,484	-
Real estate	81,715,298	-
Alternative investments	140,981,753	-
Total investments	654,228,438	-
Receivables:		
Accrued interest and dividends	1,004,668	-
Intergovernmental	493,590	-
Receivable for securities sold	20,589	-
Other receivables	875,067	-
Total receivables	2,393,914	-
Securities lending collateral	35,442,360	-
Total assets	693,947,055	391,002
Liabilities:		
Accounts payable and accrued expenses	289,779	6,333
Due to student groups	-	384,669
Intergovernmental	2,120,518	-
Payable for securities purchased	92,632	-
Securities lending collateral	35,442,360	-
Total liabilities	37,945,289	391,002
Net assets:		
Held in trust for pension benefits	$ 656,001,766	-

See accompanying notes to basic financial statements.

Exhibit 11

CITY OF WORCESTER, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2012

	Pension Trust Fund (Year ended December 31, 2011)
Additions:	
Contributions from:	
Employers	$ 32,706,347
Plan members	14,526,760
Commonwealth of Massachusetts	1,596,702
Reimbursements from other systems	488,176
Total contributions	49,317,985
Investment earnings:	
Interest and dividends	11,321,836
Securities lending income	152,350
Net appreciation in fair value of investments	(13,612,022)
Less: management fees	(3,434,273)
Less: borrower rebates and fees under securities lending program	(59,659)
Net investment earnings	(5,631,768)
Total additions	43,686,217
Deductions:	
Benefits	64,477,915
Reimbursements to other systems	2,127,935
Refunds and transfers of plan member accounts to other systems	2,410,536
Administrative expenses	569,245
Total deductions	69,585,631
Change in net assets	(25,899,414)
Net assets – beginning	681,901,180
Net assets – ending	$ 656,001,766

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2012

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(1) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

Primary Government

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2012, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2011.

Fiduciary Fund Component Unit

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

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

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

Discretely Presented Component Units

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

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.

- The **Worcester Redevelopment Authority** (WRA) was organized under state law as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. Complete financial statements can be obtained from the Office of Budget and Operational Analysis, Chief Financial Officer, Worcester Redevelopment Authority, 455 Main Street, Worcester, Massachusetts 01608.

Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2012 amounted to $2,617, 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 it's discretely presented component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely for the most part on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for CitySquare, North High School and Airport debt service.
- **School Grants Fund** – The school grants fund accounts for school programs funded by grants.

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

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

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

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

The City reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to city users.

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

Additionally, the City reports the following fund types:

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

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

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

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

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, Net Assets and Fund Balances

Cash Equivalents

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

Basis of Investment Valuation

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

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

Basis of Investment Transactions

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

Property Taxes

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

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

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

Inventory

The cost of supplies and other inventoriable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2012, and therefore are not reported.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2012. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

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 and Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

Securities Lending Transactions

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

Landfill Closure and 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, 2012, 100% of the City's expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Additions to the MSWLF closure and postclosure care liability in fiscal 2012 were $2,060 for additional postclosure care costs. Reductions to the liability in fiscal 2012 were $105.

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

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

Use of Estimates

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

Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(2) Property Taxes

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

(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, 2011, $168,335 of the City's bank balance of $199,988 was insured and collateralized with securities held by pledging financial institutions, and $31,653 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2012, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
U.S. Treasuries	$ 879	-	737	100	42
U.S. Agencies	2	-	-	-	2
Corporate bonds	808	192	435	88	93
Money market mutual funds	711	711	-	-	-
Commercial paper	3,337	3,337	-	-	-
Mutual bond funds	2,099	2,099	-	-	-
Fixed income securities	1,094	1,094	-	-	-
External investment pools	5,907	5,907	-	-	-
Total debt securities	14,837	13,340	1,172	188	137
Other Investments:					
Equity securities	2,986				
Equity mutual funds	2,009				
Total other investments	4,995				
Total investments	$ 19,832				

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2012, 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, 2012, the credit quality ratings (per Standard & Poors, a national credit rating organization) of the City's investment in debt securities (including implicitly-guaranteed investments in U.S. Agencies) are as follows:

Quality Ratings	U.S. Agencies	Corporate Bonds	Money Market Mutual Funds	Commercial Paper	Mutual Bond Funds	Fixed Income Securities	External Investment Pools	Totals
AAA..... $	2	-	-	101	-	-	-	103
AA+.....	-	244	-	48	-	-	-	292
AA.....	-	34	-	61	-	-	-	95
AA-.....	-	19	-	148	-	-	-	167
A+.....	-	38	-	256	-	-	-	294
A.....	-	35	-	363	-	-	-	398
A-.....	-	347	-	242	-	-	-	589
BBB+.....	-	41	-	522	-	-	-	563
BBB.....	-	41	-	265	-	-	-	306
BBB-.....	-	9	-	122	-	-	-	131
BB+.....	-	-	-	132	-	-	-	132
BB.....	-	-	-	106	-	-	-	106
BB-.....	-	-	-	42	-	-	-	42
Unrated...	-	-	711	929	2,099	1,094	5,907	10,740
Total..... $	2	808	711	3,337	2,099	1,094	5,907	13,958

(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, 2011, the WRS's bank balance of $368 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2011 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
U.S. Treasuries	$ 54,152	13,695	17,290	10,439	12,728
U.S. Agencies	22,572	-	6,053	1,132	15,387
Corporate bonds	37,987	10,023	10,759	8,609	8,596
Money market mutual funds	1,841	1,841	-	-	-
Debt security mutual funds	34,507	24,711	-	-	9,796
Total debt securities	151,059	50,270	34,102	20,180	46,507
Other Investments:					
Equity securities	28,135				
Equity mutual funds	289,621				
Real estate investments	81,715				
Alternative investments	140,982				
Total other investments	540,453				
Total investments	$ 691,512				

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, 2011, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS's policies for credit risk of debt securities includes a policy of an 80%/20% split between investment grade (BBB/Baa and above) and below investment grade (BB/Ba and lower) debt securities. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's.

As of December 31, 2011, the credit quality ratings of the WRS's debt securities are as follows:

	Investment Type			
Quality Ratings *	Corporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds	Fair Value
AAA	$ 395	-	2,877	3,272
AA+	547	-	14	561
AA	-	-	18	18
AA-	841	-	-	841
A+	1,880	-	-	1,880
A	981	-	33	1,014
A-	3,395	-	496	3,891
BBB+	1,340	-	-	1,340
BBB	2,216	-	-	2,216
BBB-	2,390	-	9	2,399
BB+	1,185	-	-	1,185
BB	2,147	-	13	2,160
BB-	1,264	-	37	1,301
B+	1,461	-	57	1,518
B	2,529	-	40	2,569
B-	1,656	-	-	1,656
CCC+	693	-	-	693
CCC	1,234	-	579	1,813
CCC-	135	-	-	135
CC	177	-	264	441
C	82	-	-	82
D	227	-	380	607
Unrated	11,212	1,841	29,690	42,743
Total	$ 37,987	1,841	34,507	74,335

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

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2011, the WRS's exposure to foreign currency risk is as follows:

Deposit/Investment Type	U.S. Dollar Balances	Currency
Corporate bonds.....	$ 676	Indonesian rupiah
U.S. Agencies.....	480	Mexican peso
Corporate bonds.....	508	South Korean won
Corporate bonds.....	587	Philippine peso
Corporate bonds.....	254	Austalian dollar
Corporate bonds.....	172	Euro
U.S. Agencies.....	526	Euro
Corporate bonds.....	211	Indian rupee
Corporate bonds.....	476	Brazilian real
U.S. Agencies.....	614	Brazilian real
U.S. Agencies.....	124	Uruguayan peso
Total.....	$ 4,628	

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, 2011, 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, 2012, the District's deposits were fully insured and collateralized.

Investments Summary

The District's investments at June 30, 2012, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1 - 5
Debt Securities:			
U.S. Treasuries	$ 463	68	395
U.S. Agencies	1,755	941	814
Total debt securities	2,218	1,009	1,209
Other Investments:			
Equity securities	1,403		
Total investments	$ 3,621		

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, 2012, none of the District's investments were subject to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a AAA rating by Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2012, the credit quality ratings of the District's U.S Treasury and U.S. Agency investments were AAA rated or backed by the full faith of the U.S. Treasury.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. Obligations of the U.S. Treasury, U.S. government agencies and money market funds are exempted from this restriction. As of June 30, 2012, 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, 2012, WRA's bank balance of $202 was not exposed to custodial credit risk.

(e) Securities Lending

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

The custodian lends, at the direction of the lending agent, WRS's securities and cash received (including both U.S. and foreign currency), U.S. Government securities, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. The lending agent does not have the ability to pledge or sell collateral securities delivered unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 105% of the market value of foreign securities on loan and 102% of the market value if domestic securities on loan (Required Collateral Level). If at any time the market value of the collateral for any loan decreases to 100% or less of the market value of the loaned securities borrowers are required to provide additional collateral sufficient to increase the market value of the collateral to at least the Required Collateral Level.

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, 2011. 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, 2011, 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, 2011 was $35,442 and $57,161, respectively. Borrower rebates and fees paid to the broker were $60 for the year ended December 31, 2011.

(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, 2011, the City's payroll for employees covered by WRS was approximately $160,000; the City's total payroll was approximately $336,000.

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, 2011:

Active employees	3,178
Pensioners and beneficiaries	2,776
Inactive employees with vested rights	759
Total members	6,713
Number of participating employers	2

(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

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 determined in the manner described above.

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 $1,597 for the fiscal year ended June 30, 2012 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%, 92%, and 92% respectively of the total.

(d) Annual Pension Cost

For the year ended June 30, 2012 the required and actual contribution was $29,720. For the year ended June 30, 2011 the required and actual contribution was $27,277 and for the year ended June 30, 2010 the required and actual contribution was $26,117. At June 30, 2012, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2012, 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, 2012, the most recent actuarial valuation date, is as follows:

Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll (%)
	(a)	(b)	(b - a)	(a/b)	(c)	(b - a)/c
1/1/2012	$ 712,110	1,051,191	339,081	67.74%	$ 159,670	212.36%

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

(f) Methods and Assumptions

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

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002 and 2010 ERI liability and the Section 90 ACD liability and 4.0% increasing payments on the remaining unfunded liability beginning in fiscal year 2016. Prior to fiscal 2016, the appropriation for fiscal 2013 and 2014 are 8% higher than the prior fiscal year; the payment on the remaining unfunded liability for fiscal 2015 is 10.75% higher than the prior year.
Remaining amortized period (period is closed)	6 years for the 2002 ERI liability 9 years for the 2010 ERI liability 2 years for the Section 90 ACD liability and 23 years for the remaining unfunded liability 23 years is the equivalent single amortization period (ESAP)
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis recognized over a five-year period, further adjusted (if necessary) to be within 10% of the market value

Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.75%
Rate of inflation	3.75%
Cost of living adjustments	3.00% of the first $13 of retirement income

(g) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2011 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	$ 165,908	Active members' contribution balance
Annuity Reserve Fund	55,707	Retired members' contribution account
Military Service Fund	16	Members' contribution account while on military leave
Pension Reserve Fund	406,547	Amounts appropriated to fund future retirement benefits
Pension Fund	27,824	Remaining net assets
Total	$ 656,002	

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

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

(a) Plan Description

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City's payroll covered by this plan in fiscal 2012 was approximately $175,700. 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 $55,135 for the fiscal year ended June 30, 2012 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

(6) Other Postemployment Benefits (OPEB)

(a) Plan Description - City

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

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

Active employees	4,154
Retired employees, beneficiaries and dependents	4,873
Total	9,027

(b) Funding Policy - City

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

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

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

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

	Amount
Annual required contribution	$ 45,506
Interest on net OPEB obligation	6,241
Adjustment to annual required contribution	(12,377)
Annual OPEB cost	39,370
Contributions made	(20,504)
Increase in net OPEB obligation	18,866
Net OPEB obligation at beginning of year	160,013
Net OPEB obligation at end of year	$ 178,879

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed (%)	Net OPEB Obligation
June 30, 2010	$ 53,368	38.6	128,086
June 30, 2011	53,748	40.6	160,013
June 30, 2012	39,370	52.0	178,879

(d) Funded Status and Funding Progress - City

The funded status of the Plan at July 1, 2011, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/11	$ -	$ 636,335	$ 636,335	0.0%	$ 313,753	203%

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

(e) Methods and Assumptions - City

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

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

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

(f) Allocation of AOPEBC - City

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

Governmental Activities:	
General government	$ 2,634
Public safety	8,598
Health and human services	361
Education	24,170
Public works	1,422
Culture and recreation	986
Total AOPEBC - governmental activities	38,171
Business-Type Activities:	
Water	853
Sewer	335
Golf course (nonmajor)	11
Total AOPEBC - business-type activities	1,199
Total AOPEBC	$ 39,370

(g) Plan Description – The District

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

The number of participants as of June 30, 2011, the latest actuarial valuation, is as follows:

Active employees	52
Retired employees, beneficiaries and dependents	14
Total	66

(h) Funding Policy – The District

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

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

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

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

	Amount
Annual required contribution	$ 541
Interest on net OPEB obligation	51
Adjustment to annual required contribution	(46)
Annual OPEB cost	546
Contributions made	(151)
Increase in net OPEB obligation	395
Net OPEB obligation at beginning of year	1,468
Net OPEB obligation at end of year	$ 1,863

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed (%)	Net OPEB Obligation
June 30, 2010	$ 711	23.2	1,064
June 30, 2011	524	22.9	1,468
June 30, 2012	546	27.7	1,863

(j) Funded Status and Funding Progress – The District

The funded status of the Plan at June 30, 2011, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Payroll ((B-A)/C)
06/30/11	$ -	$ 11,623	$ 11,623	0.0%	$ 3,173	366%

(k) Methods and Assumptions – The District

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

Valuation date:	June 30, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percent of pay assuming 4.0% increasing, opening basis
Remaining amortization period:	30 years as of July 1, 2010 (open)
Interest discount rate:	3.5%
Inflation rate:	4.0%
Healthcare/Medical cost trend rate:	8.5% decreasing by 0.5% for 7 years to an ultimate level of 5.0%

(7) Accounts Receivable

At June 30, 2012, 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
Receivables:			
Property taxes	$ 8,425	(2,874)	5,551
Tax liens	3,467	(326)	3,141
Motor vehicle excise taxes	5,981	(3,752)	2,229
Special assessments	2,592	-	2,592
Departmental and other	9,309	(3,365)	5,944
Intergovernmental	77,507	-	77,507
	$ 107,281	(10,317)	96,964

At June, 30, 2012, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Charges for services	$ 11,955	-	11,955
Utility liens	2,048	-	2,048
Special assessments	409	-	409
	$ 14,412	-	14,412

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

	General Fund	Other Governmental Funds	Total
Receivable Type:			
Property taxes	$ 3,458	-	3,458
Tax liens	3,141	-	3,141
Motor vehicle excise taxes	1,558	-	1,558
Special assessments	2,592	-	2,592
Departmental and other	1,797	1,403	3,200
Intergovernmental (school construction)	72,623	-	72,623
Intergovernmental (other state and federal)	1,680	-	1,680
	$ 86,849	1,403	88,252

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 2012, $15,203 of such assistance was received. Approximately $91,591 will be received in future fiscal years. Of this amount, $18,968 represents reimbursement of long-term interest costs, and $72,623 represents reimbursement of approved construction costs. Accordingly, a $72,623 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

(8) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 20,316	173	-	20,489
Construction in progress	99,519	38,146	61,296	76,369
Total capital assets not being depreciated	119,835	38,319	61,296	96,858
Capital assets, being depreciated:				
Buildings	503,391	65,790	5	569,176
Improvements other than buildings	33,788	1,755	-	35,543
Rolling equipment	27,018	1,386	-	28,404
Equipment and other	14,870	1,094	-	15,964
Infrastructure	188,328	18,710	-	207,038
	767,395	88,735	5	856,125
Less accumulated depreciation for:				
Buildings	193,169	15,815	-	208,984
Improvements other than buildings	6,828	1,636	-	8,464
Rolling equipment	21,465	1,099	-	22,564
Equipment and other	12,772	694	-	13,466
Infrastructure	92,972	8,472	-	101,444
	327,206	27,716	-	354,922
Total capital assets being depreciated, net	440,189	61,019	5	501,203
Governmental capital assets, net	$ 560,024	99,338	61,301	598,061

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

Governmental activities:	
General government	$ 87
Public safety	1,472
Public works	10,326
Education	10,189
Health and human services	215
Culture and recreation	5,427
Total depreciation expense – governmental activities	$ 27,716

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	$ 5,044	1,000	-	6,044
Construction in progress	830	495	412	913
Total capital assets, not being depreciated	5,874	1,495	412	6,957
Capital assets, being depreciated:				
Buildings	39,897	1,171	-	41,068
Rolling equipment	2,423	61	-	2,484
Infrastructure	139,463	5,429	-	144,892
Equipment and other	255	148	-	403
Total capital assets, being depreciated	182,038	6,809	-	188,847
Less accumulated depreciation for:				
Buildings	16,429	1,074	-	17,503
Rolling equipment	1,664	140	-	1,804
Infrastructure	53,683	4,615	-	58,298
Equipment and other	112	28	-	140
Total accumulated depreciation	71,888	5,857	-	77,745
Total capital assets, being depreciated, net	110,150	952	-	111,102
Water capital assets, net	116,024	2,447	412	118,059
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Construction in progress	3,948	2,230	8	6,170
Total capital assets, not being depreciated	4,065	2,230	8	6,287
Capital assets, being depreciated:				
Buildings	3,940	363	-	4,303
Rolling equipment	5,079	687	-	5,766
Infrastructure	157,002	8,255	-	165,257
Equipment and other	426	90	-	516
Total capital assets, being depreciated	166,447	9,395	-	175,842
Less accumulated depreciation for:				
Buildings	1,537	152	-	1,689
Rolling equipment	2,859	413	-	3,272
Infrastructure	70,398	5,172	-	75,570
Equipment and other	149	45	-	194
Total accumulated depreciation	74,943	5,782	-	80,725
Total capital assets, being depreciated, net	91,504	3,613	-	95,117
Sewer capital assets, net	95,569	5,843	8	101,404

	Beginning balance	Increases	Decreases	Ending balance
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	8	2	8	2
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	1,637	73	-	1,710
Total capital assets, being depreciated	2,603	73	-	2,676
Less accumulated depreciation for:				
Buildings	188	44	-	232
Infrastructure	552	93	-	645
Total accumulated depreciation	740	137	-	877
Total capital assets, being depreciated, net	1,863	(64)	-	1,799
Golf capital assets, net	1,871	(62)	8	1,801
Business-type activities capital assets, net	$ 213,464	8,228	428	221,264
Discretely presented component units - The District:				
Capital assets, not being depreciated				
Land	$ 702	-	-	702
Construction in progress	19,777	15,800	2,267	33,310
Total capital assets, not being depreciated	20,479	15,800	2,267	34,012
Capital assets, being depreciated:				
Treatment facilities	211,633	2,138	-	213,771
Equipment and other	4,327	452	-	4,779
Total capital assets, being depreciated	215,960	2,590	-	218,550
Less accumulated depreciation for:				
Treatment facilities	49,044	7,742	-	56,786
Equipment and other	3,413	211	-	3,624
Total accumulated depreciation	52,457	7,953	-	60,410
Total capital assets, being depreciated, net	163,503	(5,363)	-	158,140
The District's capital assets, net	$ 183,982	10,437	2,267	192,152

	Beginning balance	Increases	Decreases	Ending balance
Discretely presented component units - WRA:				
Capital assets, not being depreciated				
Land	$ 1,270	-	-	1,270
Construction in progress	12	80	-	92
Total capital assets, not being depreciated	1,282	80	-	1,362
Capital assets, being depreciated:				
Buildings	40,197	-	-	40,197
Equipment and other	176	-	-	176
Total capital assets, being depreciated	40,373	-	-	40,373
Less accumulated depreciation for:				
Buildings	9,866	1,013	-	10,879
Equipment and other	103	5	-	108
Total accumulated depreciation	9,969	1,018	-	10,987
Total capital assets, being depreciated, net	30,404	(1,018)	-	29,386
WRA capital assets, net	$ 31,686	(938)	-	30,748

Construction Commitments

The City has active construction projects as of June 30, 2012. The projects include land improvements, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows:

Project	Spent through June 30, 2012	Remaining commitment
Infrastructure improvements	$ 36,664	37,043
Building improvements	14,811	17,289
Land improvements	3,164	2,775
Total	$ 54,639	57,107

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, 2012 is summarized as follows:

Governmental Activities

Capital assets	$ 952,983
Less accumulated depreciation	(354,922)
Less outstanding long-term debt	(459,935)
Less outstanding temporary debt	(48,130)
Add outstanding debt that is not capital related	180,859
Add unspent proceeds of capital related debt	17,921
Invested in capital assets, net of related debt	$ 288,776

Business-Type Activities

	Water	Sewer	Golf Course (Nonmajor)	Total Enterprise Funds/ Business-Type Activities
Capital assets	$ 195,804	182,129	2,678	380,611
Less accumulated depreciation	(77,745)	(80,725)	(877)	(159,347)
Less outstanding long-term debt	(66,167)	(57,504)	(1,823)	(125,494)
Less outstanding temporary debt	(10,023)	(14,135)	(25)	(24,183)
Add unspent proceeds of capital related debt	6,094	10,108	67	16,269
Invested in capital assets, net of related debt	$ 47,963	39,873	20	87,856

(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 $146 for the year ended June 30, 2012.

Future minimum lease payments for these leases are as follows:

	Amount
Year ending June 30:	
2013	$ 157
2014	157
2015	157
2016	157
2017	157
2018	157
Total	$ 942

(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.

	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:						
Inside debt limit	(2.00%-8.00%)	$ 137,400	28,075	24,527	140,948	16,718
Outside debt limit	(2.00%-8.50%)	324,901	9,215	19,525	314,591	19,915
Notes payable – Section 108	(2.31%-6.01%)	4,505	-	109	4,396	113
Judgments and claims		11,119	1,085	1,106	11,098	1,730
Compensated absences		12,944	8,831	8,584	13,191	8,951
Landfill closure and postclosure care costs		2,874	2,060	105	4,829	-
Other post employment benefits		156,028	38,171	19,822	174,377	-
Deferred amounts on bond premium		3,386	827	905	3,308	906
		$ 653,157	88,264	74,683	666,738	48,333

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

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

	Interest percentage range		Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:							
Inside debt limit	(2.00%-8.00%)	$	9,333	1,270	1,805	8,798	1,124
Outside debt limit	(2.00%-8.50%)		115,959	18,143	19,099	115,003	10,776
MWPAT note payable	(2.31%-6.01%)		774	965	46	1,693	48
Judgments and claims			1,243	282	101	1,424	254
Compensated absences			716	567	553	730	569
Other post employment benefits			3,984	1,199	681	4,502	-
Deferred amounts on bond premium			54	-	5	49	6
		$	132,063	22,426	22,290	132,199	12,777

On July 12, 2011, the City issued $16,755 of general obligation refunding bonds. On November 1, 2011 the City issued $33,263 of general obligation bonds. The proceeds consisted of $23,023 for governmental activities and $10,240 for business-type activities. On June 12, 2012 the City issued $6,845 of general obligation bonds, all for governmental activities to fund construction of CitySquare. On June 13, 2012, the City issued a $965 loan with the Massachusetts Water Pollution Abatement Trust (MWPAT) for business-type activities.

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2012 matures as follows:

	Governmental activities		Business-type activities			
	Governmental Funds		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2013	$ 36,633	25,777	8,242	2,613	3,505	2,215
2014	34,479	24,567	8,421	2,268	3,517	2,073
2015	37,903	18,872	8,345	1,931	3,517	1,931
2016	35,718	17,145	8,527	1,585	3,343	1,794
2017	34,137	15,512	5,868	1,276	3,271	1,662
2018-2022	135,246	55,627	14,515	3,922	16,022	6,315
2023-2027	102,673	25,638	8,107	1,670	13,932	3,220
2028-2032	26,350	4,648	2,824	491	5,317	1,163
2033-2037	8,991	1,577	1,318	130	3,387	338
2038-2042	3,409	191	-	-	-	-
	$ 455,539	189,554	66,167	15,886	55,811	20,711

	Business-type activities Golf course (nonmajor)		Business-type activities totals	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2013	$ 153	72	11,900	4,900
2014	155	65	12,093	4,406
2015	157	58	12,019	3,920
2016	160	52	12,030	3,431
2017	163	46	9,302	2,984
2018-2022	649	141	31,186	10,378
2023-2027	315	54	22,354	4,944
2028-2032	56	11	8,197	1,665
2033-2037	15	3	4,720	471
	$ 1,823	502	123,801	37,099

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 $4,396. The City also has loan agreements with the MWPAT to fund the Southbridge Street sewer separation project and water pollution abatement projects in the amount of $1,693.

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2012 are as follows:

	Governmental activities General fund	
	Principal	Interest
Year ending June 30:		
2013	$ 113	249
2014	119	308
2015	126	237
2016	131	114
2017	138	223
2018-2022	2,328	610
2023-2027	1,441	197
	$ 4,396	1,938

	Business-type activities					
	Sewer				Business-type activities totals (net)	
			Anticipated subsidy			
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2013	$ 48	46	-	19	48	27
2014	89	51	-	17	89	34
2015	95	47	-	15	95	32
2016	96	43	-	13	96	30
2017	97	40	-	11	97	29
2018-2022	539	137	-	19	539	118
2023-2027	395	50	7	-	388	50
2028-2041	334	21	5	-	329	21
	$ 1,693	435	12	94	1,681	341

(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, 2012 is as follows:

Inside debt limit:	
Building rehabilitation	$ 57,439
School construction	48,120
Street construction	20,480
Union Station Garage	16,810
Departmental equipment	9,184
Parks improvements	5,340
Blackstone Valley Visitors' Center	2,910
Water building rehabilitation	2,165
Major Taylor Garage Walkway	1,850
Sewer building rehabilitation	1,000
Water reservoir rehabilitation	800
Worcester Common rehabilitation	605
Off street parking	595
Land acquisition	525
Dam improvements	475
Major Taylor Garage	470
Urban Systems Gateway	465
Vocational School construction	410
Sewer equipment	390
South Worcester Industrial Park	350
Building demolition	268
Greenhill Golf Course access road	255
Bridge construction	100
Traffic signals	50
University Park	50
Landfill monitoring	50
Parking meters	25
Total inside debt limit	171,181

Outside debt limit:	
CitySquare	72,775
Sewer construction	21,497
DCU building rehabilitation	19,010
Water filtration	4,169
Reservoir rehabilitation	1,950
Water mains	1,740
December, 2008 ice storm clean-up	975
Greenhill Golf Course improvements	770
Surface drain construction	485
Acquisition of trees	125
Water hydrants	50
Total outside debt limit	123,546
Total inside and outside debt limit	$ 294,727

At June 30, 2012, in addition to debt authorized but unissued, the City may issue $275,489 of additional general obligation debt under the normal debt limit. The City had $429,594 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, 2012 was $107,415.

(e) Current Refunding – July 12, 2011

On July 12, 2011, the City issued $16,755 in current refunding bonds to refund $17,063 of previously issued and outstanding bonds with an average interest rate of approximately 5.50%. The average interest rate of the current refunding bonds is approximately 2.75%.

The net proceeds from the current refunding were used to retire the outstanding bonds and the related accrued interest. The reacquisition price equaled the net carrying amount of the old debt. As a result of this refunding, the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately $2,170 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $2,000.

(f) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2012:

1997 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	$ 4,352
1999 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.	505
2001 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.	265
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.	7,215
2004 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034.	39,419
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.	5,391
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.	23,025
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%.	6,135
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.41% with a final payment due July 15, 2037.	10,875
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.	6,860
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.	21,472
2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1 , 2040.	21,325
2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1 , 2040.	7,108
2012 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.00% with a final payment due July 15, 2032.	20,929
2012 General Obligation Bonds payable in varying principal amounts at an average coupon rate of 3.666% with a final payment due April 15, 2032.	4,000
Unamortized bond premiums and deferred refunding losses	1,171
OPEB	1,863
Accrued sick leave	406
Total long-term obligations	182,316
Less portion due within one year	(6,188)
Amount due in more than one year	$ 176,128

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

	Gross payments			Anticipated	Net
	Principal	Interest	Total	subsidy	payments
Year ending June 30:					
2013	$ 6,102	5,412	11,514	1,203	10,311
2014	7,099	5,383	12,482	1,164	11,318
2015	7,327	5,129	12,456	1,124	11,332
2016	7,564	4,863	12,427	1,082	11,345
2017	7,797	4,577	12,374	1,037	11,337
2018-2022	35,728	19,055	54,783	3,210	51,573
2023-2027	34,644	13,114	47,758	2,619	45,139
2028-2032	36,433	7,352	43,785	2,049	41,736
2033-2037	28,321	2,324	30,645	997	29,648
2038-2041	7,861	311	8,172	-	8,172
	$ 178,876	67,520	246,396	14,485	231,911

(g) Discretely Presented Component Units – WRA

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

Details related to notes payable to the City at June 30, 2012, are as follows:

Project	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Union Station - Building Fit Out	$ 2,984	84	-	3,068
Union Station - Operating	3,169	315	-	3,484
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Total	$ 6,716	399	-	7,115

Debt service requirements in future fiscal years are as follows:

Fiscal Year		Principal	Interest	Total
2013	$	6,050	1,116	7,166
2014		315	28	343
2015		750	191	941
Total	$	7,115	1,335	8,450

(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, 2012 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were $606.

At June 30, 2012, the following 1.25% to 2.00% BANs (maturing through November 8, 2012) were outstanding:

	Outstanding as of June 30, 2011	Additions	Reductions	Outstanding as of June 30, 2012
Bond anticipation notes payable:				
School	$ -	8,430	-	8,430
General	30,843	39,620	30,763	39,700
Water	3,405	10,023	3,405	10,023
Sewer	6,760	14,135	6,760	14,135
Golf course (nonmajor)	75	105	155	25
Total	$ 41,083	72,313	41,083	72,313

(b) Discretely Presented Component Units – The District

The District issues short-term notes as preliminary financing for major capital additions. Notes payable activity for the year ended June 30, 2012 was as follows:

	Outstanding as of June 30, 2011	Additions	Reductions	Outstanding as of June 30, 2012
Short-term notes	$ 5,511	12,759	18,270	-

(13) Interfund Transfers

Transfers and their purposes during the year ended June 30, 2012 were as follows:

	Governmental funds					Proprietary funds			
	General Fund	Debt Service Fund	School Grant Fund	CitySquare Fund	Other Gov'tal Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund (Nonmajor)
Original budget:									
General fund - to fund debt payments	$ (13,847)	13,847	-	-	-	-	-	-	-
Cemetery reserve - to fund parks and cemetery	132	-	-	-	(132)	-	-	-	-
Enterprises - to fund debt payments	1,508	-	-	-	-	(843)	(641)	-	(24)
Aid to highways Chapter 90 - to fund public works administration	373	-	-	-	(373)	-	-	-	-
Parking - to fund parking operations	453	-	-	-	(453)	-	-	-	-
Sewer connection fees - to fund public works administration	118	-	-	-	(118)	-	-	-	-
Construction permits - to fund public works administration	145	-	-	-	(145)	-	-	-	-
Conservation fees - to fund general fund operations	31	-	-	-	(31)	-	-	-	-
DCU Debt service - to fund marketing costs	150	(150)	-	-	-	-	-	-	-
Sale of cemetery lots and graves - to fund parks and cemetery operations	43	-	-	-	(43)	-	-	-	-
Sub-total	(10,894)	13,697	-	-	(1,295)	(843)	(641)	-	(24)
Subsequent transfers:									
General fund to fund DCU center operations	(102)	-	-	-	102	-	-	-	-
Sale of airport to fund Real estate sales	-	-	-	-	892	-	-	(892)	-
DCU debt service - to fund promotion of tourism	66	(66)	-	-	-	-	-	-	-
Cable access grant - to fund educational cable	-	-	518	-	(518)	-	-	-	-
Damage settlements - to reimburse for damage to City property	119	-	-	-	(119)	-	-	-	-
Premium on loans - to fund bond issuance costs	358	-	-	-	(358)	-	-	-	-
Water operations - to fund real estate reserve	-	-	-	-	801	(801)	-	-	-
General fund - to fund DCU operations	(694)	-	-	-	694	-	-	-	-
School grant fund to capital project acquisition	-	-	(39)	-	39	-	-	-	-
General fund - to fund police salaries	(350)	-	-	-	350	-	-	-	-
General fund - to fund neighborhood stabilization grant	(14)	-	-	-	14	-	-	-	-
General fund - to fund golf operations	(158)	-	-	-	-	-	-	-	158
General fund - to fund communication grant	(24)	-	-	-	24	-	-	-	-
Capital projects - to fund debt payments	-	49	-	(49)	-	-	-	-	-
General fund - to fund debt payments	(222)	222	-	-	-	-	-	-	-
Golf debt transferred to governmental *	-	-	-	-	-	-	-	-	107
To close airport to general fund	430	-	-	-	-	-	-	(430)	-
To transfer between capital projects funds	-	-	-	-	953	-	-	-	-
To transfer between capital projects funds	-	-	-	-	(953)	-	-	-	-
Chapter 90 - to fund capital equipment	-	-	-	-	150	-	-	-	-
Chapter 90 - to fund capital equipment	-	-	-	-	(150)	-	-	-	-
Community development grant transfers	-	-	-	-	417	-	-	-	-
Community development grant transfers	-	-	-	-	(417)	-	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	3,356	-	-	-	-
Parking receipts to fund off-street parking	-	-	-	-	(3,356)	-	-	-	-
Greenwood landfill to fund various	-	-	-	-	967	-	-	-	-
Greenwood landfill to fund various	-	-	-	-	(967)	-	-	-	-
HOME grant transfer	-	-	-	-	32	-	-	-	-
HOME grant transfer	-	-	-	-	(32)	-	-	-	-
Total transfers, net	$ (11,485)	13,902	479	(49)	626	(1,644)	(641)	(1,322)	241

* Represents the transfer of principal balance of long-term debt from the Golf Enterprise fund to Governmental Activities

(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 35-year-old plant and achieving revised standards for the Blackstone River.

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

Phase I	Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. $67,900)
Phase II	Advanced treatment facilities required for projected 2011 flows. (approx. $88,500)
Phase III	Solids management facilities. (approx. $31,000)
Phase IV	Facilities required for future flows (beyond 2011). (approx. $15,000)

The above referenced costs are final costs for Phases I and II and estimated final costs for Phase III at 90% construction completion. Phase IV is not required. The total cost is estimated to be approximately $202,400.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2012, the District has spent and capitalized approximately $187,200, including capitalized interest of $8,799.

The District is also involved in a legal appeal of revised NPDES permit limits imposed in 2008. These limits are currently stayed by the First Circuit Court of Appeals. Compliance with the terms of the contested permit would require another substantial capital investment. In addition, Phase IV identified above may be modified based upon the outcome of the appeal.

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.

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 $2,559 and will be financed through long-term borrowing. As of June 30, 2012, the District has spent and capitalized approximately $2,329.

Solar Photovoltaic System:

The District was selected by the Massachusetts Department of Environmental Protection to participate in a statewide solar photovoltaic project. The proposed system would include a 337 kilowatt ground-mounted system installed on the plant site. The estimated cost of the project is approximately $3,000 and will be funded by a federal grant through the ARRA program. Project construction is scheduled to be complete in 2013. As of June 30, 2012, the District has spent and capitalized $2,536.

(15) Risk Management

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

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

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

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

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

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

Changes in the self-insurance liability for health claims for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Health claims, beginning of year	$ 6,729	5,427
Incurred claims	75,839	83,585
Payments of claims attributable to events of the current and prior fiscal years	(76,144)	(82,283)
Health claims, end of year	$ 6,424	6,729

Changes in judgments and claims liability for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Judgments and claims, beginning of year	$ 12,362	16,532
Additions to estimated claims liability	1,367	466
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(257)	(756)
Workers' compensation	(950)	(3,880)
Judgments and claims, end of year	$ 12,522	12,362

Judgments and claims consisted of the following at June 30:

	2012	2011
Workers' compensation	$ 11,067	11,735
Court judgments and legal settlements	1,455	627
	$ 12,522	12,362

The fiscal 2012 liability for judgments and claims consist of governmental and business-type activities in the amount of $11,098 and $1,424 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.

(16) Fund Balances

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

	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total Governmental Funds
Nonspendable:						
Permanent fund principal..... $	-	-	-	-	13,918	13,918
Restricted:						
OPEB.....	1,444	-	-	-	-	1,444
Public works.....	-	3,108	-	-	-	3,108
School grants.....	-	-	-	7,878	-	7,878
City grants.....	-	-	-	-	8,600	8,600
School lunch.....	-	-	-	-	2,714	2,714
Police auxiliary.....	-	-	-	-	1	1
Off-street parking.....	-	-	-	-	560	560
City revolving funds.....	-	-	-	-	1,652	1,652
School revolving funds.....	-	-	-	-	2,044	2,044
Community development.....	-	-	-	-	115	115
Workforce Central.....	-	-	-	-	1,338	1,338
Capital.....	-	-	-	-	3,727	3,727
Permanent fund expendable.....	-	-	-	-	112	112
Sub-total - Restricted.....	1,444	3,108	-	7,878	20,863	33,293
Committed:						
Debt service.....	-	-	12,034	-	-	12,034
Receipts reserved.....	-	-	-	-	17,023	17,023
Sub-total - Committed.....	-	-	12,034	-	17,023	29,057
Unassigned.....	25,520	-	-	-	(35,686)	(10,166)
Total fund balances..... $	26,964	3,108	12,034	7,878	16,118	66,102

(17) Fund Deficits

The following funds had deficits at June 30, 2012:

Capital Projects Funds:		Special Revenue Funds:	
DCU construction	$ 313	DCU Center	$ 882
Street and sidewalk	7,592		
Rehabilitation of public buildings	19,513		
Capital equipment	1,572		
School construction	3,965		
Parks improvements	1,849		

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

(18) Sale of Airport

As of July 1, 2010, the majority of the Worcester Regional Airport's (Airport) assets were sold by the City to the Massachusetts Port Authority (the Authority). The transaction involved the transfer of legal title to the majority of the real, personal and intangible property of the Airport. The only Airport assets retained by the City include various parcels of land valued at approximately $2,600.

The loss on the disposal of the airport was accrued and reported in the City's fiscal year 2011 financial statements. The only financial activities of the Airport Enterprise Fund during fiscal year 2012 were cash receipts and disbursements for receivables and payables that were outstanding as of June 30, 2011, as well as the transfer of remaining net assets to other City funds.

As of July 1, 2011, the City was no longer acting as the employer for the Airport's employees and was no longer responsible for maintaining the operations of the Airport.

(19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. Management is currently evaluating the effect that this Statement will have on the basic financial statements.

Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.

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

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

Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require a change to the title of the Statement of Fiduciary Net Assets to the Statement of Fiduciary Net Position, as well as expanded note disclosures and required supplementary information.

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

These pronouncements will be implemented by their respective implementation dates.

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 223,669,013	224,579,133	227,377,947	2,798,814
Motor vehicle excise taxes	10,900,000	10,900,000	11,849,289	949,289
Penalties and interest on taxes:				
Property taxes	1,070,700	1,070,700	1,166,639	95,939
Tax titles	286,300	286,300	618,307	332,007
Motor vehicle excise	967,000	967,000	1,007,863	40,863
Special assessments	48,000	48,000	78,817	30,817
	2,372,000	2,372,000	2,871,626	499,626
Other taxes and in-lieu payments:				
In lieu of taxes	850,000	850,000	1,149,910	299,910
Special assessments	370,000	370,000	325,960	(44,040)
Meals tax	2,110,000	2,110,000	2,198,361	88,361
Hotel/motel tax	730,000	730,000	765,379	35,379
	4,060,000	4,060,000	4,439,610	379,610
Licenses and permits:				
Clerk	131,200	131,200	176,926	45,726
Code Inspection	2,087,250	2,087,250	2,971,472	884,222
Fire	221,275	221,275	208,313	(12,962)
Health	463,630	463,630	577,014	113,384
License Commission:				
Liquor licenses	781,810	781,810	800,819	19,009
Other	45,950	45,950	67,307	21,357
Police	80,095	80,095	90,571	10,476
Public Works	226,700	226,700	318,047	91,347
	4,037,910	4,037,910	5,210,469	1,172,559
Intergovernmental:				
State local aid	242,185,910	244,327,592	244,467,246	139,654
State school construction aid	15,203,374	15,203,374	15,203,374	-
School related Federal Medicare	3,500,000	2,600,000	3,426,026	826,026
Federal indirect cost reimbursements	1,950,000	1,950,000	1,890,722	(59,278)
	262,839,284	264,080,966	264,987,368	906,402

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Fines and forfeitures:				
Parking fines	$ 1,859,000	1,859,000	1,942,428	83,428
Court fines	891,000	891,000	902,908	11,908
	2,750,000	2,750,000	2,845,336	95,336
Investment earnings	300,000	300,000	99,947	(200,053)
Charges for services:				
Airport land lease	-	-	100,000	100,000
Assessor	8,000	8,000	7,050	(950)
Auditorium	235,000	235,000	128,140	(106,860)
Clerk	530,000	530,000	565,171	35,171
Cable TV	20,000	20,000	23,007	3,007
Communications	350	350	1,607	1,257
Elder Affairs	40,000	40,000	49,127	9,127
Fire	198,800	198,800	257,038	58,238
Health	21,470	21,470	37,557	16,087
Hope Cemetery	230,000	230,000	260,843	30,843
Human Resources	-	-	3,400	3,400
Library	55,000	55,000	43,132	(11,868)
Messenger	5,500	5,500	562	(4,938)
Parks	50,000	50,000	75,739	25,739
Planning	70,300	70,300	98,366	28,066
Police	466,500	466,500	630,773	164,273
Public Works	7,500	7,500	10,011	2,511
Purchasing	254,500	254,500	278,545	24,045
Schools	-	-	10,870	10,870
Trailer coach park	4,000	4,000	4,128	128
Trash bags	3,200,000	3,200,000	3,214,989	14,989
Treasurer	15,000	15,000	13,699	(1,301)
	5,411,920	5,411,920	5,813,754	401,834
Miscellaneous	654,500	654,500	1,318,000	663,500
Total revenues	516,994,627	519,146,429	526,813,346	7,666,917

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
General government:				
Council:				
Salaries	$ 324,000	324,000	310,750	13,250
Ordinary maintenance	26,867	26,867	21,574	5,293
	350,867	350,867	332,324	18,543
Mayor:				
Salaries	101,398	101,398	99,925	1,473
Ordinary maintenance	3,277	5,777	5,670	107
	104,675	107,175	105,595	1,580
Manager:				
Salaries:				
Executive office	599,891	716,391	571,263	145,128
Planning & Development	689,618	880,363	880,363	-
Ordinary maintenance:				
Executive office	1,334,280	1,554,280	1,550,602	3,678
Planning & Development	90,590	109,590	80,009	29,581
Tourism promotion	-	216,000	216,000	-
	2,714,379	3,476,624	3,298,237	178,387
Auditor:				
Salaries	475,601	480,601	461,757	18,844
Ordinary maintenance	82,559	82,559	82,471	88
	558,160	563,160	544,228	18,932
Administration & Finance:				
Salaries	377,040	480,733	479,255	1,478
Ordinary maintenance	70,664	70,894	70,894	-
	447,704	551,627	550,149	1,478
Treasurer and Collector:				
Salaries	1,030,005	1,063,266	1,051,964	11,302
Ordinary maintenance	641,676	995,972	986,640	9,332
	1,671,681	2,059,238	2,038,604	20,634
Assessor:				
Salaries	517,528	563,550	563,409	141
Ordinary maintenance	77,454	485,297	485,136	161
	594,982	1,048,847	1,048,545	302

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
License Commission:				
Ordinary maintenance	$ 1,200	1,200	800	400
Law:				
Salaries	694,042	708,506	708,506	-
Ordinary maintenance	122,842	147,842	133,437	14,405
Casualty insurance	119,948	119,948	89,128	30,820
Court judgments	378,100	353,100	347,203	5,897
	1,314,932	1,329,396	1,278,274	51,122
Clerk:				
Salaries	511,778	507,431	506,629	802
Ordinary maintenance	36,024	36,024	33,565	2,459
	547,802	543,455	540,194	3,261
Messenger:				
Ordinary maintenance	314,400	364,900	354,143	10,757
Election Commission:				
Salaries	339,699	470,564	469,871	693
Ordinary maintenance	110,885	118,985	112,181	6,804
	450,584	589,549	582,052	7,497
Purchasing:				
Salaries	192,527	192,527	178,995	13,532
Ordinary maintenance	14,595	14,595	12,600	1,995
	207,122	207,122	191,595	15,527
Technical services:				
Salaries	1,557,393	1,603,488	1,585,829	17,659
Ordinary maintenance	903,495	903,495	881,420	22,075
Capital	-	350,000	349,999	1
	2,460,888	2,856,983	2,817,248	39,735
Human Resources:				
Salaries	750,735	750,735	680,967	69,768
Ordinary maintenance	237,701	244,701	235,582	9,119
	988,436	995,436	916,549	78,887
Total general government	12,727,812	15,045,579	14,598,537	447,042

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public safety:				
Police:				
Salaries	$ 37,415,385	39,033,691	39,030,861	2,830
Ordinary maintenance	1,833,845	1,933,845	1,931,074	2,771
Capital	-	200,000	195,419	4,581
	39,249,230	41,167,536	41,157,354	10,182
Fire:				
Salaries	31,188,442	30,890,233	30,874,997	15,236
Ordinary maintenance	994,541	1,305,407	1,266,541	38,866
Capital	25,000	37,017	27,996	9,021
	32,207,983	32,232,657	32,169,534	63,123
Inspectional services:				
Salaries	2,481,306	2,430,961	2,337,222	93,739
Ordinary maintenance	272,707	300,052	288,131	11,921
	2,754,013	2,731,013	2,625,353	105,660
Communications:				
Salaries	1,800,009	1,809,340	1,585,943	223,397
Ordinary maintenance	313,076	313,076	273,566	39,510
	2,113,085	2,122,416	1,859,509	262,907
Total public safety	76,324,311	78,253,622	77,811,750	441,872
Health and human services:				
Health:				
Salaries	226,952	211,877	121,462	90,415
Ordinary maintenance	20,000	35,075	35,016	59
	246,952	246,952	156,478	90,474
Elder Affairs:				
Salaries	288,581	288,581	287,598	983
Ordinary maintenance	297,704	322,704	319,914	2,790
	586,285	611,285	607,512	3,773
Workforce Central:				
Salaries	72,508	72,508	-	72,508
Total health and human services	905,745	930,745	763,990	166,755

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Education:				
Public Schools:				
Salaries	$ 173,920,846	175,682,357	175,681,563	794
Ordinary maintenance	47,496,421	46,974,446	46,974,298	148
Capital	245,000	266,909	266,909	-
Total education	221,662,267	222,923,712	222,922,770	942
Public works:				
Department of Public Works:				
Salaries	5,368,506	4,891,502	4,836,534	54,968
Ordinary maintenance	6,544,666	6,901,670	6,739,350	162,320
Capital	-	150,000	150,000	-
Snow and ice removal	3,156,883	3,546,355	3,546,355	-
Street lighting	1,987,828	2,337,828	2,337,828	-
	17,057,883	17,827,355	17,610,067	217,288
Union Station:				
Ordinary maintenance	420,128	470,128	420,128	50,000
Total public works	17,478,011	18,297,483	18,030,195	267,288
Culture and recreation:				
Parks and Cemetery:				
Salaries	2,843,293	2,843,293	2,777,805	65,488
Ordinary maintenance	806,256	1,138,833	1,133,134	5,699
	3,649,549	3,982,126	3,910,939	71,187
Public Library:				
Salaries	2,823,216	2,800,091	2,800,061	30
Ordinary maintenance	1,298,704	1,321,829	1,321,071	758
	4,121,920	4,121,920	4,121,132	788
Auditorium:				
Ordinary maintenance	121,506	121,506	91,009	30,497
DCU Center:				
Ordinary maintenance	342,097	-	-	-
Debt service	352,253	-	-	-
	694,350	-	-	-
Total culture and recreation	8,587,325	8,225,552	8,123,080	102,472

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Intergovernmental:				
Health insurance - retirees	$ 16,658	16,658	16,658	-
Regional planning	40,714	41,594	43,617	(2,023)
Regional Transit Authority	2,784,985	2,616,740	2,616,740	-
Air pollution control	38,947	38,947	38,947	-
Charter Schools	24,354,152	24,510,104	24,056,471	453,633
School choice	1,943,509	1,931,448	2,177,845	(246,397)
Special education - Chapter 766	-	110,833	146,487	(35,654)
Registry parking ticket surcharge	577,640	577,640	428,840	148,800
Total intergovernmental	29,756,605	29,843,964	29,525,605	318,359
Debt service:				
Principal	23,458,306	23,461,830	23,434,115	27,715
Interest	7,302,519	7,047,519	6,994,671	52,848
Pension obligation bond:				
Municipal departments:				
Principal	3,209,269	3,209,269	3,209,269	-
Interest	7,258,134	7,258,134	7,258,134	-
Enterprise funds (interest)	1,589,320	1,589,320	1,589,320	-
Public schools (interest)	4,581,402	4,581,402	4,581,402	-
Total debt service	47,398,950	47,147,474	47,066,911	80,563
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	18,512,712	18,592,608	18,564,016	28,592
Public Schools	7,550,624	7,182,712	7,182,712	-
Noncontributory pensions:				
Municipal departments	147,920	147,920	126,098	21,822
Public Schools	211,448	174,552	174,552	-
	26,422,704	26,097,792	26,047,378	50,414

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2012
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	$ 1,087,681	1,292,152	1,233,583	58,569
Public Schools	322,700	508,415	508,415	-
Public safety injured on duty	389,098	389,098	389,074	24
Unemployment compensation:				
Municipal departments	500,000	106,400	104,667	1,733
Public Schools	487,300	625,290	625,290	-
	2,786,779	2,921,355	2,861,029	60,326
Group insurance:				
Municipal departments	23,525,528	21,550,327	21,331,671	218,656
Public Schools	39,040,672	37,091,129	37,089,347	1,782
	62,566,200	58,641,456	58,421,018	220,438
Total fringe benefits	91,775,683	87,660,603	87,329,425	331,178
Contingency	250,000	57,710	-	57,710
Total expenditures	506,866,709	508,386,444	506,172,263	2,214,181
Excess of revenues over expenditures	10,127,918	10,759,985	20,641,083	9,881,098
OTHER FINANCING SOURCES (USES):				
Transfers in	4,369,194	7,076,678	7,076,678	-
Transfers out	(13,847,112)	(15,411,358)	(15,411,358)	-
Premium on loans	300,000	300,000	478,707	178,707
Total other financing sources (uses)	(9,177,918)	(8,034,680)	(7,855,973)	178,707
Net changes in fund balance	950,000	2,725,305	12,785,110	10,059,805
Budgetary fund balance - beginning	14,259,081	14,259,081	14,259,081	-
Budgetary fund balance - ending	$ 15,209,081	16,984,386	27,044,191	10,059,805

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2012

(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 (%)
1/1/2007	$ 716,797	837,608	120,811	85.58	$ 152,838	79.05
1/1/2008	759,410	889,924	130,514	85.58	156,585	83.35
1/1/2009	631,894	929,569	297,675	85.33	166,050	179.27
1/1/2010	679,510	987,692	308,182	67.98	166,392	185.21
1/1/2011	724,998	1,025,076	300,078	68.80	157,721	190.26
1/1/2012	712,110	1,051,191	339,081	67.74	159,670	212.36

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2006	$ 23,355	100
2007	24,166	100
2008	24,947	100
2009	28,505	100
2010	29,770	101
2011	32,706	100

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

CITY SHARE OF WRS ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	City ARC as a Percentage of WRS ARC (%)
2007	$ 21,241	100	90.9
2008	22,089	100	91.4
2009	22,742	100	91.2
2010	26,117	100	91.6
2011	27,277	101	91.6
2012	29,720	100	90.9

OPEB Schedule

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

SCHEDULES OF FUNDING PROGRESS

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%
07/01/09	-	765,312	765,312	0.0%	302,802	253%
07/01/11	-	636,335	636,335	0.0%	313,753	203%

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

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

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 2012, the original general fund expenditure budget was increased by $1,520.

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, 2012:

	Revenues	Expenditures	OFS/OFU Net	Net Change in Fund Balance
General fund:				
As reported on a budgetary basis	$ 526,813	506,172	(7,856)	12,785
Reclassify stabilization fund	-	-	(2,080)	(2,080)
Reclassify OPEB reserve	-	-	(1,070)	(1,070)
MTRS on-behalf payments	55,135	55,135	-	-
COLA on-behalf payments	1,597	1,597	-	-
Adjustment of revenues to a modified basis	(1,839)	-	-	(1,839)
Adjustment of expenditures for GAAP accruals		(339)	-	339
As reported on a GAAP basis	$ 581,706	562,565	(11,006)	8,135

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

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

Special Revenue

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

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

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

Police Auxiliary – accounts for police off-duty details.

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

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

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

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

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

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

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

Capital Projects

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

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

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

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Other – accounts for various trusts.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	$ -	-	-	-	-
Restricted cash and cash equivalents	135,000	2,918,613	153,269	559,904	1,665,974
Restricted investments	-	-	-	-	-
Receivables	-	-	896,248	-	506,412
Due from other governments	-	-	-	-	-
Total assets	$ 135,000	2,918,613	1,049,517	559,904	2,172,386
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	$ -	205,037	152,222	35	14,335
Retainage payable	-	-	-	-	-
Temporary loans	-	-	-	-	-
Deferred revenue	-	-	896,248	-	506,412
Other liabilities	1,017,350	-	-	-	-
Total liabilities	1,017,350	205,037	1,048,470	35	520,747
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	2,713,576	1,047	559,869	1,651,639
Committed	-	-	-	-	-
Unassigned	(882,350)	-	-	-	-
Total fund balances	(882,350)	2,713,576	1,047	559,869	1,651,639
Total liabilities and fund balances	$ 135,000	2,918,613	1,049,517	559,904	2,172,386

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
-	17,023,412	-	-	-	17,023,412
2,057,894	-	143,218	1,410,463	8,110,191	17,154,526
-	-	-	-	-	-
-	-	-	-	-	1,402,660
-	-	-	-	1,026,762	1,026,762
2,057,894	17,023,412	143,218	1,410,463	9,136,953	36,607,360
13,516	-	27,834	72,795	536,790	1,022,564
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,402,660
-	-	-	-	-	1,017,350
13,516	-	27,834	72,795	536,790	3,442,574
-	-	-	-	-	-
2,044,378	-	115,384	1,337,668	8,600,163	17,023,724
-	17,023,412	-	-	-	17,023,412
-	-	-	-	-	(882,350)
2,044,378	17,023,412	115,384	1,337,668	8,600,163	33,164,786
2,057,894	17,023,412	143,218	1,410,463	9,136,953	36,607,360

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Capital Projects Funds				
	DCU Center Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Assets:					
Cash and cash equivalents	$ -	-	-	-	-
Restricted cash and cash equivalents	1,609,551	8,994,739	2,718,576	827,470	3,578,008
Restricted investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other governments	-	273,403	-	-	-
Total assets	$ 1,609,551	9,268,142	2,718,576	827,470	3,578,008
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	$ 112,134	2,027,094	4,391,333	24,659	281,478
Retainage payable	-	673,500	1,255,387	-	111,202
Temporary loans	1,810,000	14,160,000	16,585,000	2,375,000	7,150,000
Deferred revenue	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	1,922,134	16,860,594	22,231,720	2,399,659	7,542,680
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	(312,583)	(7,592,452)	(19,513,144)	(1,572,189)	(3,964,672)
Total fund balances	(312,583)	(7,592,452)	(19,513,144)	(1,572,189)	(3,964,672)
Total liabilities and fund balances	$ 1,609,551	9,268,142	2,718,576	827,470	3,578,008

Capital Projects Funds			
Parks Improvements	Union Station Garage	Other	Subtotal
-	-	-	-
3,516,015	2,452,669	2,498,997	26,196,025
-	-	-	-
-	-	-	-
-	-	11,816	285,219
3,516,015	2,452,669	2,510,813	26,481,244
459,366	-	48,086	7,344,150
200,593	-	23,487	2,264,169
4,705,000	-	1,165,000	47,950,000
-	-	-	-
-	-	-	-
5,364,959	-	1,236,573	57,558,319
-	-	-	-
-	2,452,669	1,274,240	3,726,909
-	-	-	-
(1,848,944)	-	-	(34,803,984)
(1,848,944)	2,452,669	1,274,240	(31,077,075)
3,516,015	2,452,669	2,510,813	26,481,244

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

		Permanent Funds				
Assets:		**Hope Cemetery**	**Health Department**	**Libraries**	**Schools**	**Parks**
Cash and cash equivalents	$	-	-	-	-	-
Restricted cash and cash equivalents		126,878	84,981	522,643	61,487	18,251
Restricted investments		2,627,112	1,930,704	6,971,490	547,009	347,355
Receivables		-	-	-	-	-
Due from other governments		-	-	-	-	-
Total assets	$	2,753,990	2,015,685	7,494,133	608,496	365,606
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$	-	59	20,257	-	-
Retainage payable		-	-	-	-	-
Temporary loans		-	-	-	-	-
Deferred revenue		-	-	-	-	-
Other liabilities		-	-	-	-	-
Total liabilities		-	59	20,257	-	-
Fund balances:						
Nonspendable		2,753,990	2,011,430	7,429,728	569,925	361,677
Restricted		-	4,196	44,148	38,571	3,929
Committed		-	-	-	-	-
Unassigned		-	-	-	-	-
Total fund balances		2,753,990	2,015,626	7,473,876	608,496	365,606
Total liabilities and fund balances	$	2,753,990	2,015,685	7,494,133	608,496	365,606

Permanent Funds					
Police	Public Works	Memorial	Other	Subtotal	Total Nonmajor Governmental Funds
-	-	-	-	-	17,023,412
227	14,360	27,905	2,142	858,874	44,209,425
7,375	304,410	451,696	4,604	13,191,755	13,191,755
-	-	-	-	-	1,402,660
-	-	-	-	-	1,311,981
7,602	318,770	479,601	6,746	14,050,629	77,139,233
-	-	-	-	20,316	8,387,030
-	-	-	-	-	2,264,169
-	-	-	-	-	47,950,000
-	-	-	-	-	1,402,660
-	-	-	-	-	1,017,350
-	-	-	-	20,316	61,021,209
7,602	313,788	465,611	4,746	13,918,497	13,918,497
-	4,982	13,990	2,000	111,816	20,862,449
-	-	-	-	-	17,023,412
-	-	-	-	-	(35,686,334)
7,602	318,770	479,601	6,746	14,030,313	16,118,024
7,602	318,770	479,601	6,746	14,050,629	77,139,233

(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, 2012

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	$ -	11,043,882	-	-	-
Investment earnings	-	-	-	-	-
Charges for services	632,463	574,560	8,038,790	-	942,565
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	632,463	11,618,442	8,038,790	-	942,565
Expenditures:					
Current:					
General government	-	-	-	-	5,290
Public safety	-	-	8,387,906	-	241,645
Health and human services	-	-	-	-	84,697
Education	-	11,920,760	-	-	-
Public works	-	-	-	1,477,822	77,753
Culture and recreation	499,096	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	221,154	-	-	1,086,292	-
Interest	354,002	-	-	655,179	-
Total expenditures	1,074,252	11,920,760	8,387,906	3,219,293	409,385
Excess (deficiency) of revenues over expenditures	(441,789)	(302,318)	(349,116)	(3,219,293)	533,180
Other financing sources (uses):					
Transfers in	795,959	-	350,163	3,353,107	-
Transfers (out)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-
Total other financing sources (uses)	795,959	-	350,163	3,353,107	-
Net change in fund balances	354,170	(302,318)	1,047	133,814	533,180
Fund balances – beginning	(1,236,520)	3,015,894	-	426,055	1,118,459
Fund balances – ending	$ (882,350)	2,713,576	1,047	559,869	1,651,639

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
9,064	951,537	4,952,100	6,369,873	16,039,433	39,365,889
-	-	-	-	419	419
2,055,548	6,930,147	-	-	-	19,174,073
-	-	-	-	4,329,656	4,329,656
-	-	-	-	-	-
-	405,121	-	-	-	405,121
2,064,612	8,286,805	4,952,100	6,369,873	20,369,508	63,275,158
-	-	-	-	2,153,145	2,158,435
-	-	-	-	4,888,313	13,517,864
-	-	-	6,524,638	10,363,202	16,972,537
2,012,373	-	-	-	-	13,933,133
-	-	-	-	103,822	1,659,397
-	-	-	-	1,726,985	2,226,081
-	-	3,710,349	-	674,272	4,384,621
-	-	446,886	-	32,094	1,786,426
-	-	389,866	-	66,364	1,465,411
2,012,373	-	4,547,101	6,524,638	20,008,197	58,103,905
52,239	8,286,805	404,999	(154,765)	361,311	5,171,253
2,502	1,692,664	-	-	936,881	7,131,276
-	(5,754,915)	(416,772)	-	(518,093)	(6,689,780)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,502	(4,062,251)	(416,772)	-	418,788	441,496
54,741	4,224,554	(11,773)	(154,765)	780,099	5,612,749
1,989,637	12,798,858	127,157	1,492,433	7,820,064	27,552,037
2,044,378	17,023,412	115,384	1,337,668	8,600,163	33,164,786

(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, 2012

	Capital Projects Funds				
	DCU Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	$ -	4,565,896	-	-	-
Investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	4,565,896	-	-	-
Expenditures:					
Current:					
General government	-	-	11,875,877	16,851	-
Public safety	-	-	53,201	1,615,460	-
Health and human services	-	-	5,695	11,631	-
Education	-	-	6,709,305	320,722	5,867,195
Public works	-	17,880,970	776,103	666,089	-
Culture and recreation	1,096,180	-	15,582	262,530	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,096,180	17,880,970	19,435,763	2,893,283	5,867,195
Excess (deficiency) of revenues over expenditures	(1,096,180)	(13,315,074)	(19,435,763)	(2,893,283)	(5,867,195)
Other financing sources (uses):					
Transfers in	-	-	39,435	150,000	-
Transfers (out)	-	(523,000)	(952,500)	-	-
Issuance of bonds	2,045,000	8,035,000	4,265,565	3,034,000	-
Issuance of refunding bonds	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-
Total other financing sources (uses)	2,045,000	7,512,000	3,352,500	3,184,000	-
Net change in fund balances	948,820	(5,803,074)	(16,083,263)	290,717	(5,867,195)
Fund balances – beginning	(1,261,403)	(1,789,378)	(3,429,881)	(1,862,906)	1,902,523
Fund balances – ending	$ (312,583)	(7,592,452)	(19,513,144)	(1,572,189)	(3,964,672)

Capital Projects Funds			
Parks Improvements	Union Station Garage	Other	Subtotal
307,048	-	605,833	5,478,777
-	-	53	53
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
307,048	-	605,886	5,478,830
-	-	-	11,892,728
-	-	1,008,167	2,676,828
-	-	-	17,326
-	-	-	12,897,222
-	-	864,653	20,187,815
4,903,510	-	-	6,277,802
-	-	14,527	14,527
-	-	-	-
-	-	-	-
4,903,510	-	1,887,347	53,964,248
(4,596,462)	-	(1,281,461)	(48,485,418)
152,500	800,000	517,035	1,658,970
-	-	-	(1,475,500)
4,533,000	-	1,110,000	23,022,565
-	-	7,422,000	7,422,000
-	-	(7,521,000)	(7,521,000)
4,685,500	800,000	1,528,035	23,107,035
89,038	800,000	246,574	(25,378,383)
(1,937,982)	1,652,669	1,027,666	(5,698,692)
(1,848,944)	2,452,669	1,274,240	(31,077,075)

(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, 2012

	Permanent Funds				
	Hope Cemetery	Health Department	Library	Schools	Parks
Revenues:					
Intergovernmental	$ -	-	-	-	-
Investment earnings (losses)	(66,658)	(55,765)	(5,621)	(16,294)	(9,848)
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	60,803	-	500	7,188	-
Miscellaneous	-	-	-	-	-
Total revenues	(5,855)	(55,765)	(5,121)	(9,106)	(9,848)
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	33,747	-	-	-
Education	-	-	-	7,380	-
Public works	-	-	-	-	-
Culture and recreation	830	-	124,552	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	830	33,747	124,552	7,380	-
Excess (deficiency) of revenues over expenditures	(6,685)	(89,512)	(129,673)	(16,486)	(9,848)
Other financing sources (uses):					
Transfers in	830	-	-	-	-
Transfers (out)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-
Total other financing sources (uses)	830	-	-	-	-
Net change in fund balances	(5,855)	(89,512)	(129,673)	(16,486)	(9,848)
Fund balances – beginning	2,759,845	2,105,138	7,603,549	624,982	375,454
Fund balances – ending	$ 2,753,990	2,015,626	7,473,876	608,496	365,606

Permanent Funds					
Police	Public Works	Memorial	Other	Subtotal	Total Nonmajor Governmental Funds
-	-	-	-	-	44,844,666
(207)	(9,250)	(14,374)	(211)	(178,228)	(177,756)
-	-	-	-	-	19,174,073
-	-	-	-	-	4,329,656
-	-	-	-	68,491	68,491
-	-	-	-	-	405,121
(207)	(9,250)	(14,374)	(211)	(109,737)	68,644,251
-	-	-	-	-	14,051,163
-	-	-	-	-	16,194,692
-	-	-	500	34,247	17,024,110
-	-	-	-	7,380	26,837,735
-	2,561	-	-	2,561	21,849,773
-	-	5,580	-	130,962	8,634,845
-	-	-	-	-	4,399,148
-	-	-	-	-	1,786,426
-	-	-	-	-	1,465,411
-	2,561	5,580	500	175,150	112,243,303
(207)	(11,811)	(19,954)	(711)	(284,887)	(43,599,052)
-	-	-	-	830	8,791,076
-	-	-	-	-	(8,165,280)
-	-	-	-	-	23,022,565
-	-	-	-	-	7,422,000
-	-	-	-	-	(7,521,000)
-	-	-	-	830	23,549,361
(207)	(11,811)	(19,954)	(711)	(284,057)	(20,049,691)
7,809	330,581	499,555	7,457	14,314,370	36,167,715
7,602	318,770	479,601	6,746	14,030,313	16,118,024

(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, 2012

		Original budget	Final budget	Actual	Variance with final budget positive (negative)
Other financing sources (uses):					
Transfers (out)	$	-	(430,152)	(430,152)	-
Budgetary fund balance – beginning		430,152	430,152	430,152	-
Budgetary fund balance – ending	$	430,152	-	-	-

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, 2012

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Fees	$ 1,206,567	1,206,567	1,126,097	(80,470)
Miscellaneous	22,160	22,160	719	(21,441)
Total revenues	1,228,727	1,228,727	1,126,816	(101,911)
Expenditures:				
Salaries and benefits	294,420	278,084	278,084	-
Ordinary maintenance	710,265	709,887	709,887	-
Debt service	190,564	243,728	243,728	-
Indirect costs	9,920	29,420	29,420	-
Total expenditures	1,205,169	1,261,119	1,261,119	-
Excess (deficiency) of revenues over expenditures	23,558	(32,392)	(134,303)	(101,911)
Other financing sources (uses):				
Transfers in	-	-	157,861	157,861
Transfers (out) for pension bond assessment	(23,558)	(23,558)	(23,558)	-
Total other financing sources (uses)	(23,558)	(23,558)	134,303	157,861
Net changes in fund balance	-	(55,950)	-	55,950
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	$ -	(55,950)	-	55,950

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, 2012

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	$ 33,583,314	33,583,314	33,182,367	(400,947)
Miscellaneous	265,000	265,000	628,798	363,798
Total revenues	33,848,314	33,848,314	33,811,165	(37,149)
Expenditures:				
Salaries and benefits	5,568,676	5,602,425	5,281,468	320,957
Ordinary maintenance	18,380,510	18,346,761	17,527,137	819,624
Capital	24,500	24,500	5,033	19,467
Debt service	6,041,843	6,041,843	6,040,487	1,356
Indirect costs	3,191,753	3,191,753	3,175,289	16,464
Total expenditures	33,207,282	33,207,282	32,029,414	1,177,868
Excess of revenues over expenditures	641,032	641,032	1,781,751	1,140,719
Other financing sources (uses):				
Transfers (out) for pension bond assessment	(641,032)	(641,032)	(641,032)	-
Net changes in fund balance	-	-	1,140,719	1,140,719
Budgetary fund balance – beginning	1,020,980	1,020,980	1,020,980	-
Budgetary fund balance – ending	$ 1,020,980	1,020,980	2,161,699	1,140,719

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, 2012

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	$ 26,274,973	26,274,973	26,169,188	(105,785)
Miscellaneous	640,000	640,000	1,296,345	656,345
Total revenues	26,914,973	26,914,973	27,465,533	550,560
Expenditures:				
Salaries and benefits	9,833,481	9,789,672	9,015,652	774,020
Ordinary maintenance	3,439,023	3,466,368	3,287,009	179,359
Capital	25,000	25,000	5,570	19,430
Debt service	10,796,752	10,796,752	10,791,991	4,761
Indirect costs	1,977,221	1,993,685	1,993,685	-
Total expenditures	26,071,477	26,071,477	25,093,907	977,570
Excess of revenues over expenditures	843,496	843,496	2,371,626	1,528,130
Other financing (uses):				
Transfers (out) for pension bond assessment	(843,496)	(843,496)	(843,496)	-
Transfers (out) other	-	(801,061)	(801,061)	-
Total other financing (uses)	(843,496)	(1,644,557)	(1,644,557)	-
Net changes in fund balance	-	(801,061)	727,069	1,528,130
Budgetary fund balance – beginning	1,646,999	1,646,999	1,646,999	-
Budgetary fund balance – ending	$ 1,646,999	845,938	2,374,068	1,528,130

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2012

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	$ 5,647,131	-	-
Information Services	-	1,839,973	-
Total general government	5,647,131	1,839,973	-
Public safety:			
Police	514,500	2,103,270	252,156
Fire	1,074,600	12,275,654	-
Code Inspection	209,905	359,383	-
Communications	-	721,875	-
Total public safety	1,799,005	15,460,182	252,156
Health and human services:			
Elder Affairs	-	1,590,957	33,110
Public works	3,489,339	36,587,476	463,226
Education	3,447,537	239,652,348	2,357,428
Culture and recreation:			
Library	305,000	15,206,734	-
Auditorium	150,000	1,423,557	-
DCU Center	263,000	43,005,547	-
Hope Cemetery	290,000	829,060	-
Parks	5,097,800	4,595,252	23,973,337
Total culture and recreation	6,105,800	65,060,150	23,973,337
Total governmental activities capital assets	$ 20,488,812	360,191,086	27,079,257

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
-	-	-	13,038,102	18,685,233
-	162,999	-	-	2,002,972
-	162,999	-	13,038,102	20,688,205
45,146	13,519	-	-	2,928,591
3,441,118	456,796	826,468	-	18,074,636
-	1,279	-	-	570,567
-	135,599	-	-	857,474
3,486,264	607,193	826,468	-	22,431,268
-	-	-	-	1,624,067
1,629,224	52,021	104,554,739	54,504,527	201,280,552
480,753	1,262,022	-	4,453,496	251,653,584
-	243,865	-	-	15,755,599
-	-	-	-	1,573,557
-	44,994	-	844,591	44,158,132
-	-	-	-	1,119,060
244,065	124,041	213,672	3,528,677	37,776,844
244,065	412,900	213,672	4,373,268	100,383,192
5,840,306	2,497,135	105,594,879	76,369,393	598,060,868

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, 2012

Function and activity	Governmental activities capital assets July 1, 2011	Additions	Deductions	Governmental activities capital assets June 30, 2012
General government:				
Manager	$ 7,098,758	11,586,475	-	18,685,233
Information Services	2,089,833	-	86,861	2,002,972
Treasurer	294	-	294	-
Total general government	9,188,885	11,586,475	87,155	20,688,205
Public safety:				
Police	3,240,560	-	311,969	2,928,591
Fire	17,089,980	1,979,276	994,620	18,074,636
Code Inspection	626,383	-	55,816	570,567
Communications	988,402	-	130,928	857,474
Total public safety	21,945,325	1,979,276	1,493,333	22,431,268
Health and human services:				
Elder Affairs	1,839,060	-	214,993	1,624,067
Public works	176,023,889	36,885,582	11,628,919	201,280,552
Education	250,129,569	14,007,028	12,483,013	251,653,584
Culture and recreation:				
Library	16,474,076	-	718,477	15,755,599
Auditorium	1,742,791	-	169,234	1,573,557
DCU Center	45,655,186	1,169,143	2,666,197	44,158,132
Hope Cemetery	1,147,867	-	28,807	1,119,060
Parks	35,877,176	4,057,854	2,158,186	37,776,844
Total culture and recreation	100,897,096	5,226,997	5,740,901	100,383,192
Total governmental activities capital assets	$ 560,023,824	69,685,358	31,648,314	598,060,868

CITY OF WORCESTER, MASSACHUSETTS
Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and cash equivalents	$ 434,620	432,683	(476,301)	391,002
LIABILITIES			-	
Accounts payable and accrued expenses	$ 6,619	6,333	(6,619)	6,333
Due to student groups	428,001	426,350	(469,682)	384,669
Total liabilities	$ 434,620	432,683	(476,301)	391,002

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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.

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Debt Capacity These tables contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	147
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	150
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	153

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

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

Table 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	$ 118,339	140,340	127,478	128,364	175,962	187,454	201,247	236,864	280,669	288,776
Restricted	11,862	13,305	39,064	29,255	45,711	65,072	42,371	29,804	42,290	40,376
Unrestricted	(91,985)	(109,751)	(114,087)	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)	(230,791)	(232,785)
Total governmental activities net assets	$ 38,216	43,894	52,455	39,112	107,010	89,421	68,295	57,753	92,168	96,367
Business-type activities:										
Invested in capital assets, net of related debt	$ 110,722	117,755	109,124	104,871	99,181	110,861	121,480	120,990	87,708	87,856
Restricted	413	253	2,749	-	-	-	-	-	1,601	-
Unrestricted	12,739	6,768	13,550	20,271	24,749	11,716	10,026	7,978	8,344	10,776
Total business-type net assets	$ 123,874	124,776	125,423	125,142	123,930	122,577	131,506	128,968	97,653	98,632
Primary government:										
Invested in capital assets, net of related debt	$ 229,061	258,095	236,602	233,235	275,143	298,315	322,727	357,854	368,377	376,632
Restricted	12,275	13,558	41,813	29,255	45,711	65,072	42,371	29,804	43,891	40,376
Unrestricted	(79,246)	(102,983)	(100,537)	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)	(222,447)	(222,009)
Total primary government net assets	$ 162,090	168,670	177,878	164,254	230,940	211,998	199,801	186,721	189,821	194,999

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

Table 2

	2003	2004	2005	2006	2007	2008 (1)	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	$ 14,195	14,458	16,316	18,222	19,583	22,268	23,416	20,862	21,026	21,552
Public safety	93,949	98,633	105,119	113,545	115,321	132,411	130,554	126,546	123,114	126,488
Health and human services	19,164	17,431	21,524	20,880	19,873	23,366	21,229	23,994	25,033	20,597
Education	303,760	314,670	329,699	353,126	366,311	406,208	421,160	425,765	432,824	435,526
Public works	26,567	34,274	31,077	27,027	26,954	34,727	41,457	33,387	37,435	39,584
Culture and recreation	14,513	16,073	14,625	15,794	18,621	19,895	16,475	20,018	17,528	21,535
Community development	4,002	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399
Redevelopment	4,238	30	5,770	-	-	-	-	-	-	-
Interest on debt	24,913	24,626	25,734	25,336	25,283	25,366	24,534	25,351	22,573	23,968
Total governmental activities expenses	505,301	524,624	554,053	577,495	595,819	669,005	683,767	682,041	687,459	693,649
Business-type activities:										
Water	20,753	20,804	21,535	22,141	24,727	25,213	25,669	25,638	24,911	24,388
Sewer	16,310	17,238	22,719	24,352	28,309	29,258	31,134	32,742	33,737	35,284
Airport	4,389	3,958	4,158	4,527	4,360	4,703	5,082	5,047	1,417	-
Golf course (nonmajor)	1,082	1,030	1,026	1,164	1,180	1,227	1,148	1,122	1,238	1,246
Total business-type expenses	42,534	43,030	49,438	52,184	58,576	60,401	63,033	64,549	61,303	60,918
Total primary government expenses	$ 547,835	567,654	603,491	629,679	654,395	729,406	746,800	746,590	748,762	754,567
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	$ 11,652	12,043	12,997	12,940	13,925	13,580	11,813	13,536	13,775	15,935
Public works	4,510	6,337	6,674	7,436	8,005	9,160	11,078	10,970	10,986	11,917
Other activities	8,784	6,823	6,889	6,700	7,780	7,641	7,383	8,443	9,738	8,823
Operating grants and contributions	277,029	284,486	303,411	295,107	315,692	326,260	345,103	348,563	368,157	363,538
Capital grants and contributions	2,338	4,539	5,160	5,217	65,551	28,979	23,187	28,084	32,916	10,691
Total governmental activities program revenues	304,313	314,228	335,131	327,400	410,953	385,620	398,564	409,596	435,572	410,904
Business-type activities:										
Charges for services:										
Water	22,534	23,154	24,132	22,735	24,623	24,251	24,993	24,102	25,946	27,002
Sewer	14,548	15,627	19,775	22,449	25,670	26,928	28,939	29,247	31,320	34,443
Airport	1,002	687	915	978	844	802	862	1,015	152	-
Golf course (nonmajor)	1,050	1,068	1,029	1,041	1,088	1,127	1,048	987	1,035	1,127
Operating grants and contributions	1,329	1,202	1,241	1,006	593	1,174	1,395	1,413	1,282	-
Capital grants and contributions	1,470	3,362	3,081	3,114	2,255	4,226	14,821	3,514	641	2,691
Total business-type activities program revenues	41,933	45,100	50,173	51,323	55,073	58,508	72,058	60,278	60,376	65,263
Total primary government program revenues	$ 346,246	359,328	385,304	378,723	466,026	444,128	470,622	469,874	495,948	476,167

(continued)

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

Table 2

	2003	2004	2005	2006	2007	2008 (1)	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	$ (200,988)	(210,396)	(218,922)	(250,095)	(184,866)	(283,385)	(285,203)	(272,445)	(251,887)	(282,745)
Business-type activities	(601)	2,070	735	(861)	(3,503)	(1,893)	9,025	(4,271)	(927)	4,345
Total primary government net (expense)/ revenue	$ (201,589)	(208,326)	(218,187)	(250,956)	(188,369)	(285,278)	(276,178)	(276,716)	(252,814)	(278,400)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	$ 144,316	156,461	161,648	171,490	179,130	188,930	197,472	205,558	215,511	225,460
Motor vehicle excise taxes	13,438	12,581	13,503	12,096	11,893	12,932	11,393	11,050	11,519	11,866
Intergovernmental	42,016	39,406	43,026	44,146	53,813	54,561	48,493	37,476	36,220	36,298
Other	7,174	6,458	9,073	9,493	10,060	9,000	6,269	9,505	12,809	9,886
Transfers (net)	442	1,168	88	(580)	(2,291)	(540)	96	(1,733)	13,250	3,366
Gain on sale of capital assets	-	-	-	-	-	622	296	-	-	-
Donations	-	-	145	107	159	291	58	47	48	68
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	(3,055)	-
Total governmental activities	207,386	216,074	227,483	236,752	252,764	265,796	264,077	261,903	286,302	286,944
Business-type activities										
Transfers (net)	(442)	(1,168)	(88)	580	2,291	540	(96)	1,733	(13,250)	(3,366)
Loss on airport disposal	-	-	-	-	-	-	-	-	(20,193)	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	3,055	-
Total business-type activities	(442)	(1,168)	(88)	580	2,291	540	(96)	1,733	(30,388)	(3,366)
Total primary government	$ 206,944	214,906	227,395	237,332	255,055	266,336	263,981	263,636	255,914	283,578
Changes in Net Assets										
Governmental activities	$ 6,398	5,678	8,561	(13,343)	67,898	(17,589)	(21,126)	(10,542)	34,415	4,199
Business-type activities	(1,043)	902	647	(281)	(1,212)	(1,353)	8,929	(2,538)	(31,315)	979
Total primary government	$ 5,355	6,580	9,208	(13,624)	66,686	(18,942)	(12,197)	(13,080)	3,100	5,178

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

(concluded)

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

Table 3

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Total
2003	$ 144,316	13,438	713	-	-	158,467
2004	156,461	12,581	684	-	-	169,726
2005	161,648	13,503	753	-	-	175,904
2006	171,490	12,096	709	-	-	184,295
2007	179,130	11,893	845	-	-	191,868
2008	188,930	12,932	1,104	198	20	203,184
2009	197,472	11,393	1,483	327	30	210,705
2010	205,558	11,050	1,422	1,431	31	219,492
2011	215,511	11,519	1,787	2,450	32	231,299
2012	225,460	11,866	1,939	2,568	32	241,865

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

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	(2) 2011	2012
General fund:										
Reserved	$ 1,618	1,618	1,618	-	-	-	-	-	-	-
Unreserved	9,437	10,385	14,857	9,290	10,025	11,906	6,107	12,029	-	-
Restricted	-	-	-	-	-	-	-	-	1,070	1,444
Unassigned	-	-	-	-	-	-	-	-	17,758	25,520
Total general fund	$ 11,055	12,003	16,475	9,290	10,025	11,906	6,107	12,029	18,828	26,964
All other governmental funds:										
Reserved	$ 28,180	32,861	37,387	29,102	34,323	30,418	34,077	24,963	-	-
Unreserved, reported in:										
Special revenue funds	18,526	20,103	20,646	18,056	11,171	13,438	17,974	18,098	-	-
Capital projects funds (1)	(13,988)	20,372	16,923	(12,039)	11,196	34,529	8,215	4,752	-	-
Permanent funds	127	88	60	153	191	125	79	89	-	-
Nonspendable	-	-	-	-	-	-	-	-	14,215	13,918
Restricted	-	-	-	-	-	-	-	-	37,287	31,849
Committed	-	-	-	-	-	-	-	-	22,673	29,057
Unassigned	-	-	-	-	-	-	-	-	(11,518)	(35,686)
Total all other governmental funds	$ 32,845	73,424	75,016	35,272	56,881	78,510	60,345	47,902	62,657	39,138

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

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

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

Table 5

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Property taxes	$ 148,322	156,945	163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501
Motor vehicle excise taxes	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,551	11,311	11,888
Other taxes and in-lieu payments	2,215	2,123	1,971	2,252	2,188	3,684	4,941	5,539	6,365	6,015
Penalties and interest on taxes	2,702	2,669	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872
Licenses and permits	5,266	5,486	5,692	5,571	4,354	4,726	4,402	4,890	4,865	5,210
Intergovernmental (1)	315,660	327,833	356,548	350,840	407,873	405,755	411,424	423,208	445,106	417,838
Charges for services	17,644	16,758	17,645	17,913	19,920	21,107	21,055	22,847	23,539	24,988
Fines and forfeitures	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845
Investment earnings (losses)	1,085	1,811	2,056	3,100	4,292	2,766	(929)	1,598	2,543	(35)
Donations	2,683	3,022	2,908	2,640	3,793	4,951	2,468	3,633	5,528	4,677
Contributions to permanent funds	65	48	145	107	159	291	58	47	48	68
Miscellaneous	1,215	1,224	3,063	1,725	1,295	1,013	1,246	1,621	89	1,723
Total revenues	513,578	533,678	572,627	573,619	639,868	652,111	659,554	685,228	720,855	703,590
EXPENDITURES										
General government	12,006	12,023	13,861	14,314	15,720	17,957	16,644	15,308	15,936	28,650
Public safety	75,079	72,876	79,286	82,119	87,316	93,942	92,323	89,308	90,395	94,006
Health and human services	17,001	14,055	18,545	17,045	16,470	19,649	18,172	21,118	22,499	17,788
Education	239,150	256,223	271,977	261,385	257,076	261,869	285,359	297,701	302,392	299,134
Public works	24,026	24,833	29,652	29,629	44,611	49,363	39,126	39,087	53,773	55,072
Culture and recreation	12,791	11,314	14,295	11,323	14,203	14,766	16,753	20,952	17,402	16,758
Fringe benefits	85,622	103,213	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722
Community development	4,001	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926	4,399
Redevelopment	4,238	30	5,769	-	-	-	-	-	-	-
State & regional charges (1)	2,424	14,909	16,514	19,445	20,551	23,914	26,102	26,865	28,255	29,526
Debt service:										
Principal	26,715	27,216	28,124	30,430	32,886	32,774	34,761	36,637	38,813	36,747
Interest	25,464	24,515	24,674	25,034	26,020	25,829	26,098	24,827	24,023	26,890
Total expenditures	528,517	565,636	625,263	620,670	649,472	681,040	684,598	716,820	748,733	752,692
Excess of revenues (under) expenditures	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)	(27,878)	(49,102)

(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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OTHER FINANCING SOURCES (USES)										
Transfers in	$ 17,947	14,248	17,608	14,048	13,968	21,296	23,452	21,954	51,549	27,305
Transfers (out)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)	(38,299)	(23,832)
Premium on issuance of bonds and notes	633	487	3,697	702	464	423	651	820	804	479
Sale of capital assets	-	-	-	-	-	1,366	325	29	478	-
Issuance of refunding bonds	9,345	-	18,241	55,960	-	-	542	-	-	7,422
Issuance of bonds and notes	25,665	72,440	54,915	-	33,775	50,067	-	25,955	34,900	29,867
Payments to refunded bond escrow agent	(9,345)	-	(18,241)	(55,960)	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	(535)	-	-	(7,521)
Total other financing sources (uses), net	26,740	73,453	58,700	122	31,948	52,439	1,079	25,072	49,432	33,720
Net change in fund balances	$ 11,801	41,495	6,064	(46,929)	22,344	23,510	(23,965)	(6,520)	21,554	(15,382)
Debt service as a percentage of noncapital expenditures	10.3%	9.9%	9.3%	9.4%	9.6%	9.2%	9.3%	9.3%	9.2%	9.2%

(1) 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	Meals Tax	Sales Tax	Total
2003	$ 148,322	14,085	713	-	-	163,120
2004	156,942	13,205	684	-	-	170,831
2005	163,706	13,101	753	-	-	177,560
2006	171,484	12,189	709	-	-	184,382
2007	177,781	12,545	845	-	-	191,171
2008	189,419	12,677	1,104	198	20	203,200
2009	197,777	11,370	1,483	327	30	210,630
2010	204,832	11,550	1,422	1,431	31	219,266
2011	216,370	11,311	1,787	2,450	32	231,950
2012	225,501	11,888	1,939	2,568	32	241,928

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of Accounting
Year ended June 30, 2012

Graph 1

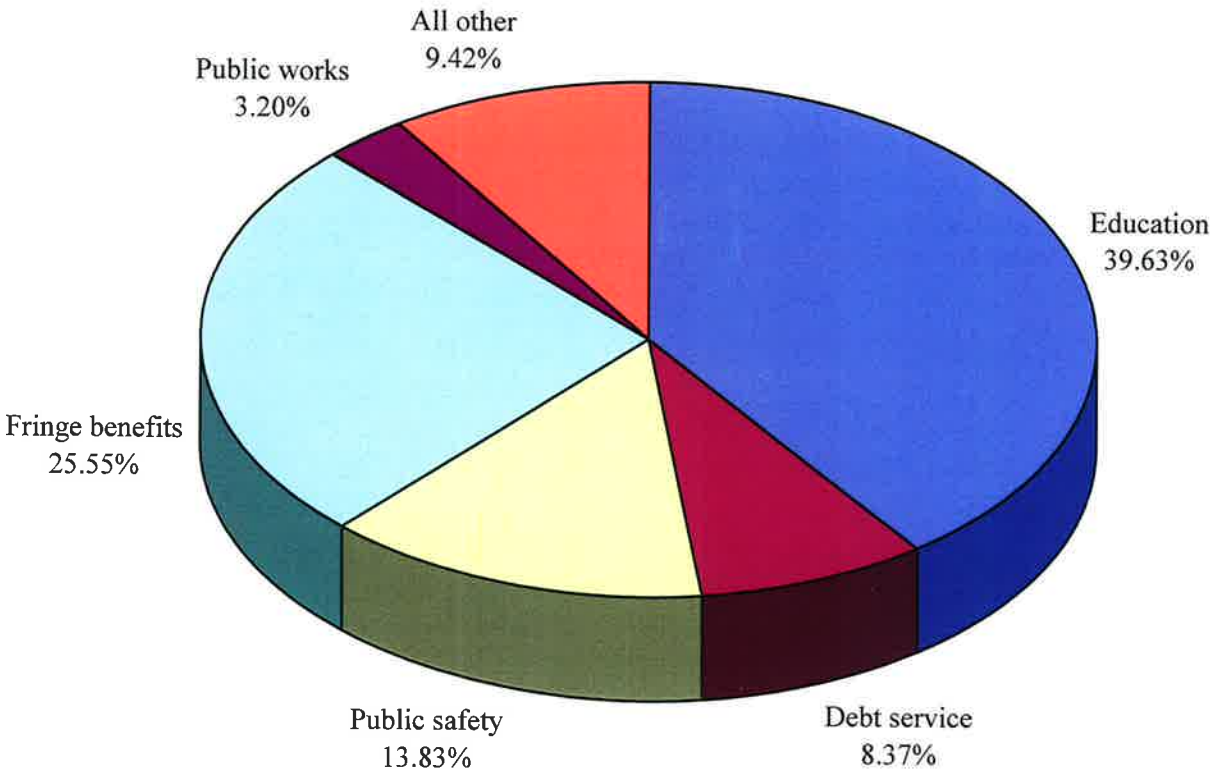

Table 7

CITY OF WORCESTER, MASSACHUSETTS

General Fund Expenditures – Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(Amounts expressed in thousands)

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	$	10,326	10,391	11,216	12,574	13,316	13,785	13,981	12,749	13,730	14,598
Public safety		64,045	63,359	64,776	71,360	74,813	78,576	79,656	76,689	74,931	77,812
Health and human services		3,658	2,841	2,805	3,629	3,832	3,776	2,639	575	675	764
Education		181,006	189,472	190,912	199,411	191,976	197,241	199,840	198,001	205,918	222,923
Public works		17,598	15,086	19,000	17,537	16,610	20,121	22,491	18,096	18,255	18,030
Culture and recreation		7,973	6,839	7,121	7,679	8,441	8,400	9,016	7,955	7,807	8,123
Fringe benefits (1)		85,622	103,212	118,377	126,381	130,746	136,213	124,318	138,899	147,319	143,722
State and regional charges (1)		2,424	14,909	16,514	19,445	20,550	23,914	26,102	26,865	28,254	29,526
Debt service		44,971	44,299	44,478	44,114	45,466	45,328	45,523	46,853	47,095	47,067
Totals	$	417,623	450,408	475,199	502,130	505,750	527,354	523,566	526,682	543,984	562,565

(1) 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

Graph 2

General Fund Revenues – Modified Accrual Basis of Accounting

Year ended June 30, 2012

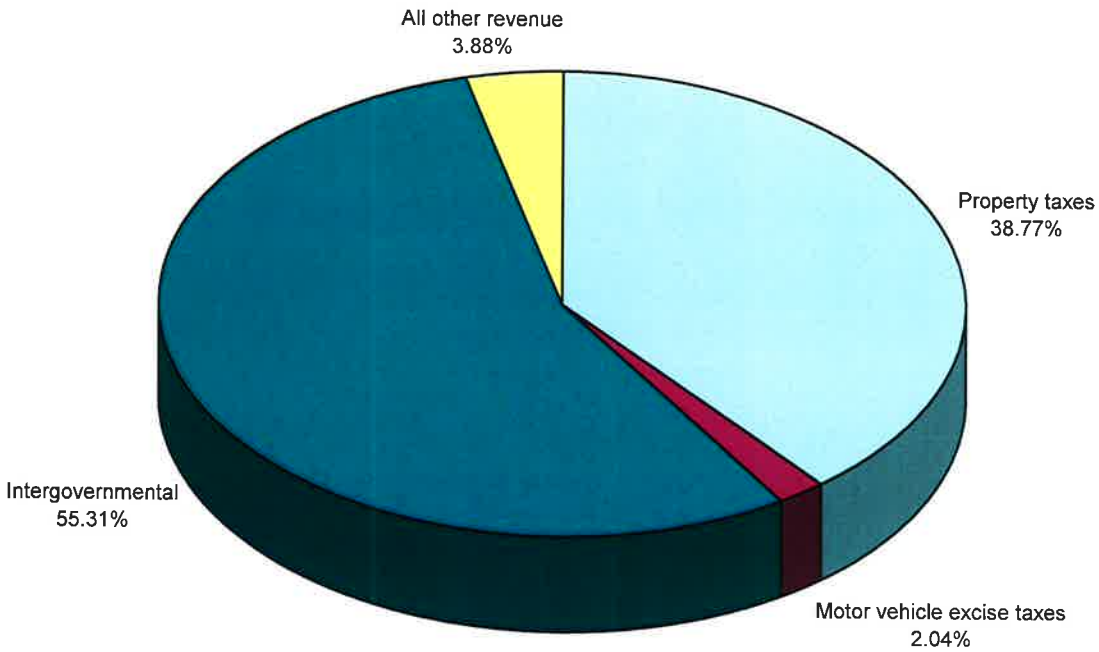

Table 8

CITY OF WORCESTER, MASSACHUSETTS

General Fund Revenues – Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property taxes	$ 148,322	156,942	163,706	171,484	177,781	189,419	197,777	204,832	216,370	225,501
Motor vehicle excise taxes	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,550	11,311	11,888
Other taxes and in-lieu payments	2,215	2,123	1,971	2,252	2,188	2,556	2,529	3,208	4,934	4,440
Penalties and interest on taxes	2,702	2,670	2,867	2,564	2,520	2,414	2,605	2,272	2,285	2,872
Licenses and permits	5,266	5,486	5,692	5,571	4,355	4,726	4,402	4,890	4,865	5,210
Intergovernmental (1)	241,946	268,001	280,301	293,362	295,983	311,475	295,327	303,512	306,267	321,719
Charges for services	3,613	3,864	4,052	3,760	5,684	6,232	5,918	5,909	5,939	5,814
Fines and forfeitures	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806	2,845
Investment earnings	664	476	1,170	2,140	2,349	1,806	462	105	68	100
Miscellaneous	895	733	1,079	852	1,093	773	790	1,438	1,429	1,318
Totals	$ 422,344	456,054	476,864	497,408	507,646	535,386	524,317	540,906	556,274	581,707

(1) 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

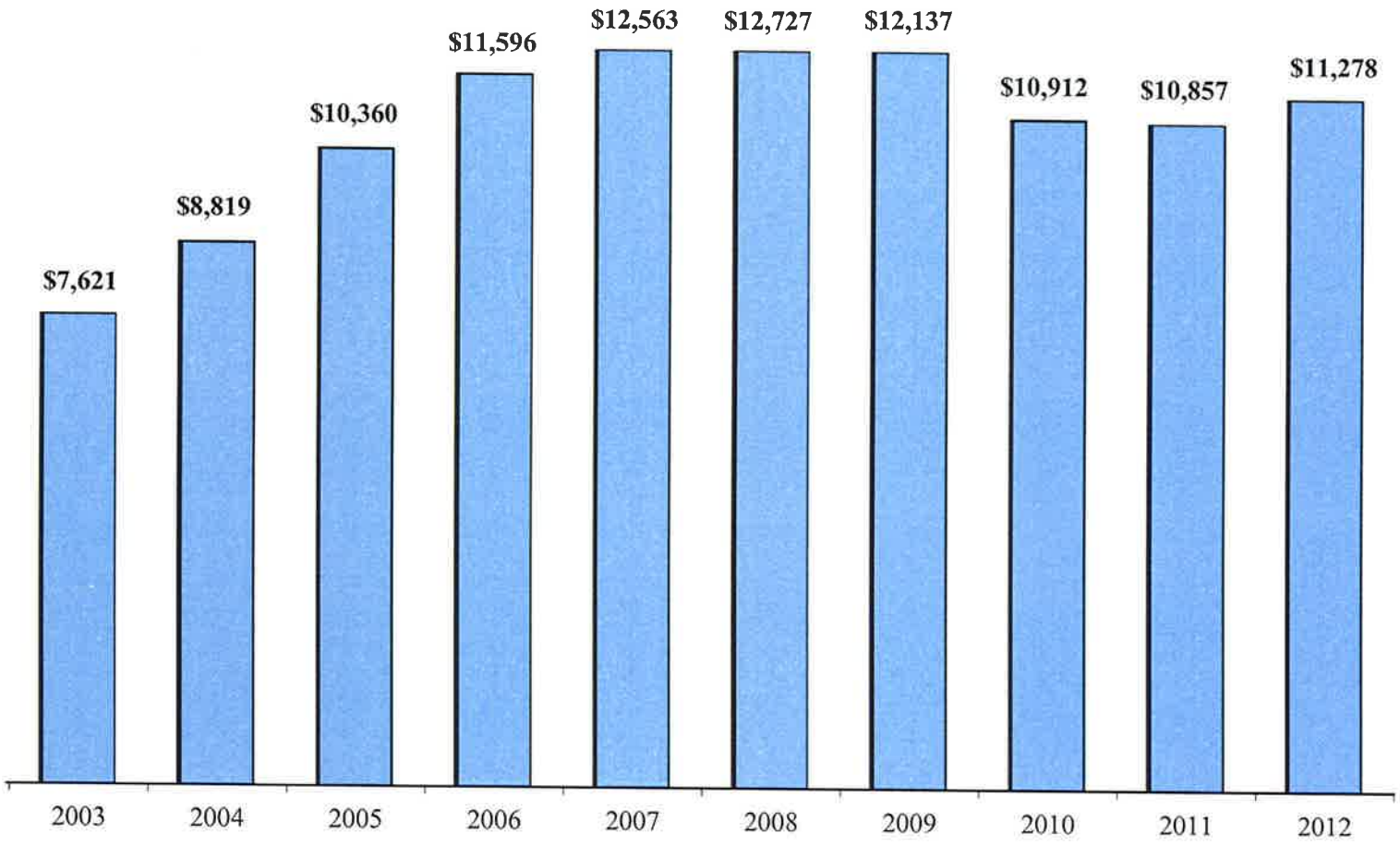

Table 9

CITY OF WORCESTER, MASSACHUSETTS

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Amounts expressed in thousands, except for total direct tax rate)

Fiscal Year	Assessed value: Residential Property	Assessed value: Commercial and Industrial Property	Assessed value: Personal Property	Assessed value: Total taxable Assessed Value	Total Direct tax Rate (1)	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
2003	$ 5,912,081	1,382,048	326,949	7,621,078	19.59	7,248,688	105.14	$ 2,110,469	9,731,547	21.69%
2004	7,036,273	1,446,202	336,277	8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
2005	8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86	2,445,616	12,805,705	19.10
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
2009	9,816,042	1,933,249	387,967	12,137,258	16.41	13,827,180	87.78	3,004,042	15,141,300	19.84
2010	8,585,028	1,916,902	410,012	10,911,942	19.02	13,827,180	78.92	2,996,065	13,908,007	21.54
2011	8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	2,960,659	13,817,521	21.43
2012	8,157,509	2,527,779	592,328	11,277,616	20.32	11,928,304	94.55	4,460,004	15,737,620	28.34

(1) Per $1,000 of assessed value

Table 10

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

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
2003	$ 16.16	31.44	31.44	19.59
2004	14.75	29.60	29.60	17.75
2005	13.18	27.60	27.60	15.77
2006	12.53	25.20	25.20	14.88
2007	12.10	25.32	25.32	14.47
2008	12.54	26.20	26.20	14.97
2009	13.50	28.72	28.72	16.41
2010	15.15	33.28	33.28	19.02
2011	16.06	34.65	34.65	20.10
2012	16.98	29.07	29.07	20.32

Source: Assessing Department

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

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

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

Table 11

CITY OF WORCESTER, MASSACHUSETTS

Principal Taxpayers - Current Year and Nine Years Ago

June 30, 2012

(Amounts expressed in thousands)

		2012				2003			
Taxpayer	Type of business	Assessed valuation	Rank	Fiscal 2012 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 2003 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	$ 159,751	1	$ 4,644	2.03%	$ 458,753	1	$ 4,038	2.70%
VHS Acquisition (St Vincent Hospital)	Medical care	115,461	2	3,356	1.46	52,474	3	1,650	1.11
Nstar	Gas utility	64,297	3	1,869	0.82	41,134	7	1,294	0.87
Verizon	Communications	61,940	4	1,801	0.79	57,335	2	1,803	1.21
V3B SA LLC (Lincoln Plaza)	Shopping plaza	61,144	5	1,777	0.78	20,020	13	629	0.42
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	53,937	6	1,568	0.68	41,531	6	1,306	0.87
440 Lincoln St Holding (Hanover/Allmerica)	Insurance	52,410	7	1,524	0.66	50,517	4	1,588	1.06
Worcester TC LLC (Abbott Bioresearch)	Biotechnology park	42,479	8	1,235	0.54	40,652	8	1,278	0.86
St. Gobain Abrasives Inc. (Norton Company)	Abrasives manufacturer	41,946	9	1,219	0.53	24,497	11	770	0.52
TGM Plantation Ridge LLC	Apartment complex	37,625	10	1,094	0.48	—	—	—	—
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	—	—	—	—	44,825	5	1,409	0.94
Alexandria Real Estate Equities	Biotechnology park	—	—	—	—	37,227	9	1,171	0.78
Liberty Properties Corp.	Industrial park	—	—	—	—	28,894	10	908	0.61
	Totals	$ 690,990		$ 20,087	8.76%	$ 897,859		$ 17,844	11.84%

Source: Assessor's department

Table 12

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Eight 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%	$ 3,668	162,082	100.02%
2006	170,372	166,275	97.60	4,259	170,449	100.10
2007	179,043	173,398	96.84	6,041	179,314	100.22
2008	188,103	182,941	97.22	5,624	188,419	100.25
2009	197,102	191,875	97.35	5,537	197,063	100.16
2010	205,326	199,535	97.17	5,697	204,704	99.95
2011	216,255	210,277	97.22	5,594	210,277	99.82
2012	227,309	220,352	96.94	-	220,352	96.94

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

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

	Governmental activities		Business-type activities				
Fiscal Year	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note	Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
2003	$ 451,740	-	101,169	-	552,909	14.51	$ 3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	14.46	3,530
2008	507,329	5,800	133,942	906	647,977	14.49	3,753
2009	473,670	4,706	124,562	863	603,801	12.73	3,497
2010	463,085	4,608	126,287	819	594,799	12.80	3,257
2011	462,302	4,505	125,292	774	592,873	12.76	3,275
2012	455,539	4,396	123,801	1,693	585,429	11.86	3,234

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

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

Table 14

CITY OF WORCESTER, MASSACHUSETTS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal year	General Obligation Bonds	Percentage of Assessed Value (1)	Total Per capita (2)
2003	$ 552,909	7.25%	$ 3,158
2004	600,544	6.81	3,422
2005	630,330	6.08	3,586
2006	592,954	5.11	3,371
2007	602,765	4.80	3,435
2008	641,271	5.04	3,654
2009	598,232	4.93	3,276
2010	589,372	5.40	3,227
2011	587,594	5.41	3,246
2012	579,340	5.14	3,189

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

(1) See Table of Assessed Value and Estimated Value of Taxable Property
(2) Population data based on 2000 and 2010 Census

Table 15

CITY OF WORCESTER, MASSACHUSETTS

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

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit (1)	$	181,217	362,434	484,731	484,731	632,729	632,729	691,359	691,359	596,415	596,415
Total net debt applicable to limit		170,375	180,376	199,169	208,140	268,676	268,621	280,473	263,915	342,654	320,926
Legal debt margin	$	10,842	182,058	285,562	276,591	364,053	364,108	410,886	427,444	253,761	275,489
Total net debt applicable to the limit as a percentage of debt limit		94.02%	49.77%	41.09%	42.94%	42.46%	42.45%	40.57%	38.17%	57.45%	53.81%

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation - real estate and personal property (January 1, 2010)	$	11,928,304	-
Debt limit - 5% of equalized valuation			596,415
Total bonded debt (including authorized and unissued of $294,727)	$	874,066	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(429,594)	
Less bonded debt authorized but not yet issued which is outside the debt limit		(123,546)	320,926
Legal debt margin	$		275,489

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

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

Table 16

Fiscal Year	Population	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (2)	Median Age	Public School Enrollment (3)	Unemployment Rate (4)
2003	175,071 (1)	$ -	-	-	24,885	7.0%
2004	175,495 (1)	-	-	-	24,363	7.0
2005	175,770 (1)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (1)	3,989,327	22,680	-	23,404	5.7
2007	175,454 (1)	4,216,455	24,032	-	23,682	6.3
2008	175,521 (1)	4,471,694	25,704	-	22,844	5.7
2009	182,596 (1)	4,742,672	27,099	-	23,126	9.3
2010	182,635 (1)	4,646,364	26,549	-	23,281	9.6
2011	181,045 (2)	4,757,752	27,185	-	23,490	10.0
2012	181,641 (2)	4,937,587	27,183	-	24,360	8.4

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

Table 17

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees

Last Ten Fiscal Years

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government		201	189	188	197	200	201	175	176	167	175
Public safety											
Police											
Officers		424	468	456	468	465	448	438	415	409	418
Civilians		39	45	47	53	54	51	49	49	49	49
Fire											
Officers		398	429	421	410	402	403	384	385	399	413
Civilians		12	16	10	10	11	11	9	8	8	10
Other public safety	(1)	105	95	98	86	89	97	116	110	105	110
Health and human services	(1)	89	89	92	102	96	94	56	53	54	55
Education		3,905	3,821	3,698	3,658	3,506	3,384	3,433	3,446	3,478	3,456
Public works		196	182	183	189	185	189	189	174	163	158
Culture and recreation		143	132	133	133	129	135	129	125	117	115
Water		117	114	112	111	106	105	111	109	102	100
Sewer		52	58	54	54	55	54	58	59	52	50
Airport		21	16	16	18	17	16	16	17	20	—
Golf course (nonmajor)		3	2	3	3	3	2	2	2	2	2
Totals		5,705	5,656	5,511	5,492	5,318	5,190	5,165	5,128	5,125	5,111

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 18

CITY OF WORCESTER, MASSACHUSETTS

Principal Employers

Current year and nine years ago

		2012			2003		
Employer	**Type of business**	**Employees**	**Rank**	**Percentage of total City Employment**	**Employees**	**Rank**	**Percentage of total City Employment**
UMass Memorial Health Care	Health care	13,814	1	17.86%	8,000	1	10.21%
University of Massachusetts Medical School	Education	5,712	2	7.38	5,200	3	6.63
City of Worcester	Government and education	5,111	3	6.61	6,383	2	8.14
Saint Gobin	Abrasives manufacturer	2,000	4	2.59	1,925	7	2.46
Reliant Medical Group	Health care	1,906	5	2.46	2,400	6	3.06
Hanover Insurance Group	Insurance	1,850	6	2.39	3,340	4	4.26
St Vincent Hospital	Health care	1,728	7	2.23	2,416	5	3.08
Polar Beverages	Bottling company	1,400	8	1.81	-	N/A	N/A
Quinsigamond Community College	Education	1,095	9	1.42	-	N/A	N/A
Fallon Community Health Plan	Health care	1,009	10	1.30	-	N/A	N/A
Massachsetts Electric Company	Utility	N/A	N/A	N/A	1,665	8	2.12
Seven Hills Foundation	Education	N/A	N/A	N/A	1,609	9	2.05
Price Chopper	Supermarket	N/A	N/A	N/A	1,198	10	1.53

Sources: 2012 - Worcester Business Journal
2003 - Worcester Area Chamber of Commerce

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police (1), (2)										
Total arrests	8,033	6,482	7,014	7,853	8,581	9,360	8,658	7,183	6,546	5,597
Different individuals arrested	6,041	5,154	5,366	5,916	6,671	7,082	6,584	5,841	4,848	4,415
Arrests for selected charges										
Drug-related	2,792	1,611	1,638	2,829	2,668	2,574	2,582	1,758	1,240	1,307
Aggravated assault	667	633	540	679	571	679	704	778	338	1,041
Disorderly conduct, disturbing peace	1,679	1,357	1,351	1,071	1,201	1,291	1,210	1,222	839	727
Prostitution and related	230	195	234	232	178	214	223	131	140	111
Sexual assault, including rape	59	23	22	33	29	41	39	38	14	20
Armed robbery	52	73	73	57	66	70	43	62	55	30
Murder /manslaughter, attempted murder	46	24	46	7	14	6	12	6	7	14
Fire (1)										
Total Incidents	29,350	22,839	21,778	22,076	22,498	24,735	29,002	28,755	28,152	28,346
Selected incidents										
EMS	14,624	16,038	15,383	14,558	15,654	15,086	18,167	17,169	15,963	16,528
Structure fires	716	454	417	749	681	663	828	618	571	631
Arson fires	43	42	31	29	28	29	37	20	21	32
Vehicle fires	269	206	184	184	139	132	120	83	100	80
Good intent	3,658	1,019	1,149	1,322	1,514	1,452	1,665	1,013	1,013	1,340
False alarm	1,591	1,542	1,705	3,102	2,971	3,134	3,849	2,754	2,869	2,592
Highways and streets										
Streets and resurfacing (1), (3)	9	16	14	14	15	15	14	11	11	16
Potholes repaired	13,268	15,596	7,895	13,403	11,489	13,088	12,030	14,932	12,954	9,392
Sanitation										
Refuse collected (tons/day)	106.62	107.05	104.15	102.78	100.30	91.06	88.65	82.30	81.83	81.71
Recyclable collected (tons/day)	36.99	38.71	37.70	37.20	34.77	36.07	33.97	34.71	36.1	35.42
Water										
New connections	389	463	454	373	271	239	188	48	95	104
Water main breaks	61	65	76	50	56	55	72	52	74	29
Average daily consumption (thousands of gallons)	24,091	23,932	23,595	22,681	22,187	22,960	22,264	21,225	22,099	22,539
Wastewater										
Average daily sewage treatment (thousands of gallons)	31,944	27,743	31,364	30,156	33,200	31,700	34,600	31,160	26,550	33,000

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:
2003 - .14, 2004 - 1.56

Table 20

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	11	11	11	11	11	10	10	10	10
Education:										
Schools	52	49	49	49	45	46	46	45	46	46
Libraries	3	3	3	3	3	3	3	3	3	4
Public works										
Streets:										
Streets (miles)	411	414	414	416	418	420	423	424	425	430
Sidewalks (miles)	606	473	473	478	480	483	487	487	489	488
Streetlights	12,772	12,972	12,994	13,238	13,275	13,321	13,321	13,759	13,759	13,759
Water:										
Main pipes (miles) (1)	614	592	592	592	582	582	584	585	586	585
Fire hydrants (2)	5,481	5,940	5,940	5,951	5,658	5,675	5,680	5,726	5,748	5,762
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)	387	389	390	392	392	393	396	396	397	397
Combined sewers (miles)	65	66	65	65	65	61	61	61	61	61
Surface sewers (miles)	358	361	362	364	364	368	370	371	371	371
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard (3)	N/A	N/A	N/A	N/A	981	981	981	981	981	981
Union Station (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	500	500	500
Culture and recreation										
Parks	53	54	54	56	60	60	60	60	60	60
Parks and playground acreage	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,328	1,328
DCU Center										
Seating capacities										
Center stage	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,800
End stage	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239
Hockey with closed curtain (3)	N/A	N/A	N/A	N/A	6,880	6,880	6,880	7,230	7,230	7,230
Ice show	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

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